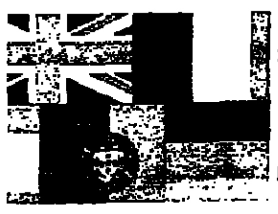
Intervention debate
How Japan can boost the world economy
Samuel Brittan, Page 17

Mass transit
Smart cards take to the streets
Page 14

Subtle prescription
Drugs groups take the indirect route
Page 10



EU presidency
Who would be the MEPs choice?
Page 3

FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY JULY 14 1994 — D8523A

US dollar recovers ground as traders look for rate rise

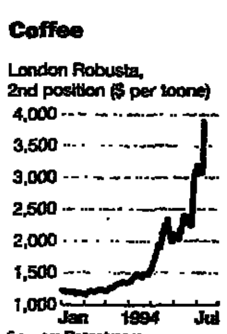
The battered US dollar bounced back on foreign exchanges as rumours circulated among dealers of an imminent tightening of monetary policy by the Federal Reserve. The market performed a swift about-turn from Tuesday's fears that low inflation would delay higher interest rates, and focused instead on the prospects for an imminent increase in rates. The dollar closed more than a pfennig and a half higher in London at DM1.5383, and was also firmer against the yen at Y98.15 from Y96.80. Page 18; Sam Brittan, Page 17; Currencies, Page 34; World stocks, Page 38

Italy announces economic plans: The Berlusconi government last night gave a brief foretaste of its economic plans, announcing L5,000bn ($3.1bn) in revenue would be found to keep the 1994 budget on track and that measures producing an extra L40,000bn would be found in 1995 to reduce the public sector deficit from L159,000bn to L140,000bn, below 10 per cent of gross domestic product.

EU visa format released: The European Commission produced its proposed format for a European Union visa for non-EU citizens which would come into force from the beginning of 1996. Page 18

Compagnie Générale des Eaux: The French justice ministry has asked police to conduct two "preliminary" inquiries into alleged irregularities by the construction, utilities and communications group, in funding political parties. Page 2

Coffee prices pushed to fresh peak



Source: Datastream

Reports of large cash purchases by coffee roasting companies eager for stocks of beans after frosts in Brazil lifted coffee prices to an 8¼-year peak on the London Commodity Exchange. New York traders pushed the September delivery position to $4,085, although the price fell near the close to end at $3,990, up $92 on the day. Page 26

EU strategy on Asia: The European Union risks losing out on the "economic miracle" in Asia unless it strengthens political ties and boosts investment in the region, according to a European Commission policy paper. Page 6

Kim Jong-il assumes power: Radio broadcasts from Pyongyang indicated Kim Jong-il had assumed complete political power in North Korea following the death of his father, President Kim Il-sung. Page 6

Services boost for Russian economy: Services are now contributing more to the Russian economy than manufacturing – a sign that reforms may be working. Page 2

Move to limit unfair EU competition: European Union members would be required to narrow differences between the terms on which they provide exporters with medium- and long-term credit guarantees under a directive proposed by the European Commission. The move is intended to limit unfair competition between the 12 governments in export financing. Page 4

UK economy: News of a further fall in unemployment and slightly lower-than-expected inflation last month confirmed recent signs that the UK economy is maintaining steady growth, while keeping prices under control. Page 8; Lex, Page 18

Renault: The French government took a step towards the vehicle maker's privatisation, announcing that it was preparing to select banks to advise on the "eventual opening of the capital" of the group. Page 19

Murayama backs defence review: Japan's new prime minister Tomiichi Murayama pledged his backing for the first overhaul of defence policy for 18 years. The defence review is expected to propose heavy cuts in ground forces but increased spending on defence electronics. Page 6

Bilfinger & Berger, one of Germany's largest construction groups, emerged as the surprise owner of a 15 per cent stake in Buderus, German heating equipment and engineering group. Page 19

Japanese car sales fall in Europe: Japanese carmakers have suffered a heavy loss of market share in western Europe following the rapid appreciation of the yen. Page 2

■ STOCK MARKET INDICES

FT-SE 100:	3,005.3	(+41.4)
Yield	4.12	
FT-SE Eurotrack 100	1,325.94	(+8.09)
FT-SE-A All-Share	1,501.43	(+1.2%)
Nikkei	20,540.41	(+139.93)
New York: lunchtime		
Dow Jones Ind Ave	3,713.67	(+11.01)
S&P Composite	449.57	(+1.62)

■ US LUNCHTIME RATES

Federal Funds:	4¼%
3-mo Treas Bills: Yld	4.511%
Long Bond	83⅜
Yield	7.681%

■ LONDON MONEY

3-mo Interbank	5⅜%	(5¼%)
Liffe long gilt future:	Sep 103¼	(Sep102⅔)

■ NORTH SEA OIL (Argus)

Brent 15-day	$18.585	(18.33)

■ GOLD

New York Comex (Aug)	$384.0	(386.3)
London	$384.2	(385.2)

■ STERLING

New York lunchtime:		
$	1.5671	
London:		
$	1.566	(1.5725)
DM	2.4089	(2.3958)
FFr	8.2548	(8.2284)
SFr	2.0291	(2.0231)
Y	153.706	(152.226)
£ Index	79.0	(78.8)

■ DOLLAR

New York lunchtime:		
DM	1.53655	
FFr	5.261	
SFr	1.29635	
Y	97.945	
London:		
DM	1.5383	(1.5235)
FFr	5.2715	(5.2327)
SFr	1.2958	(1.2865)
Y	98.155	(96.805)
$ Index	62.2	(61.8)
Tokyo close Y 97.45		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk8.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr18
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£30.00
France	FFr9.50	Kuwait	Fils.525	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Esc225	Turkey	L30000
						UAE	Dh12.00

$7bn CBS-QVC merger called off after rival bid

By Martin Dickson in New York

A proposed $7bn merger between CBS, the US television broadcasting network, and QVC, the cable television shopping channel headed by Mr Barry Diller, collapsed yesterday in the face of a rival $2.2bn bid for QVC by Comcast, one of the US's leading cable television service companies.

Comcast, which is one of QVC's three largest shareholders, with a 15 per cent stake, surprised Wall Street late on Tuesday night with news it strongly disliked the CBS-QVC merger and was itself launching a cash and stock bid for QVC worth around $44 a share. That is substantially higher than the $38 a share offer for QVC announced by CBS two weeks ago.

CBS said yesterday it would not pursue the acquisition of QVC and would instead launch a cash tender offer for up to 3.5m CBS shares – about 20 per cent of its fully diluted stock outstanding – at a price of $325 a share. The move will cost about $1.1bn, which is about the size of CBS's cash pile.

The tender was viewed by Wall Street as designed partly to protect CBS's share price following the collapse of the QVC deal, which had been viewed very positively on Wall Street and included a cash distribution to shareholders of $175 a share.

CBS stock rose $10 to $310 in morning trading, while QVC jumped $6 to $42 and Comcast dropped 1\frac{11}{16}$ to 14\frac{13}{16}$.

Comcast said it would sell assets or bring in partners to finance its offer for QVC, which analysts said would stretch its finances. However, it denied suggestions that it was interested more in derailing the CBS deal than consummating a QVC takeover.

Still, yesterday's developments left both CBS and QVC as sitting targets for bids from other media companies and raised a question mark over the future of Mr Diller, one of Hollywood's top programming talents, who joined QVC 18 months ago.

He aimed to use its television shopping business as a springboard to build a broad-based, multimedia television programming empire. Under the CBS merger agreement, he would have become chief executive of the combined group.

Mr Ralph Roberts, chairman of Comcast, and his son, Brian, chief executive, played an important part in persuading

Continued on Page 18
Lex, Page 18

Penalties total $158m

Price-fixing cartel given record fine by Brussels

By Emma Tucker in Brussels

The European Commission yesterday imposed record fines on 19 carton-board producers which had allegedly formed what it described as Europe's "most pernicious" price-fixing cartel.

Suppliers of carton-board in western Europe face fines totalling Ecu132.15m ($158.58m) with the cartel's "ringleaders" bearing the brunt. Iggesund, the packaging unit of the Swedish forestry products group MoDo, will pay the biggest single sum of Ecu22.75m. All 19 companies must pay the fines in the next three months.

Mr Karel Van Miert, competition commissioner, said "the massive cartel" flagrantly violated European laws. The commission described how participants met in luxury Swiss hotels to agree price rises and concealed their illegal activities by drawing up bogus minutes of their meetings to cover only "innocent" subjects.

Exercising strict discipline and making virtually no written notes, the companies were said to have carefully orchestrated price increases every six months. Having decided what the market could bear, one company would lift prices, followed on agreed dates by the others.

On each occasion, between 1987 and 1990, prices rose by 6-10 per cent. The commission said that often the increases were forced through against "determined customer resistance" and in spite of a fall in raw materials prices. Laggards were pressed by the other companies into raising their prices to the agreed levels.

The companies involved are: Buchmann, Europa Carton, Gruber & Weber, Laakmann and Moritz J Weig of Germany, Cascades and Papeteries de Lancey of France, Enso-Gutzeit and Finnboard of Finland, Fyskeby, MoDo and Stora of Sweden, BPB De Eendracht and KNP BT of the Netherlands, Mayr-Melnhof of Austria, Rena of Norway, Sarrio of Italy, SCA Holding of the UK, and Enso Española of Spain.

The case is the third incident in which a cartel has been fined by the European Commission this year for distorting competition in the single market. In February, Brussels fined 14 steel

Continued on Page 18

Bosnian president Alija Izetbegovic tells French foreign minister Alain Juppé (left) and his UK counterpart Douglas Hurd (centre) that he does not like the latest peace plan. However, he said he would accept it because the alternatives were worse Report, Page 3 Picture: Associated Press

Santer willing to be Delors successor

By Lionel Barber in Brussels and David Marsh and Roland Rudd in London

Mr Jacques Santer, the Luxembourg prime minister who has risen from rank outsider to frontrunner to succeed Mr Jacques Delors as president of the European Commission, yesterday declared himself available for the job.

But as momentum behind the Santer candidacy appeared to be increasing, a Financial Times poll of newly-elected members of the European Parliament showed little enthusiasm.

Euro MPs must vet the choice of Commission president next week. Mr Santer – viewed as a safe but uninspiring choice – said yesterday he would accept the post on condition that the 11 other member states reach a consensus on appointing him.

However, an FT telephone survey of 150 members of the 567-strong European parliament showed he was well down the list of candidates favoured by the Strasbourg assembly. Under Article 158 of the Maastricht treaty, heads of government are allowed to nominate the Commission chief only "after consulting the European parliament". MEPs meet next week to consider the choice. Chancellor Helmut Kohl of Germany – current holder of the rotating EU presidency – meets parliamentary leaders tomorrow.

Leading members of the Strasbourg assembly doubt that parliament would oppose Mr Santer next week. Since he represents the Social Democratic end of the Christian Democrat political spectrum, he is likely to gain support among the two main political groupings at Strasbourg.

However the lack of enthusiasm displayed for Mr Santer in the FT poll, conducted by telephone between July 8 and 13, indicates the possibility of setbacks next week. The survey, conducted among a sample of 59 Socialist MEPs, 52 Christian Democrat-leaning members, 11 Liberals, five Greens and 23 assorted and unattached members – puts Mr Santer in joint eighth place in the list of favoured candidates.

Mr Delors and Mr Giuliano Amato, a former Italian prime minister, topped the poll ahead of Mr Jean-Luc Dehaene, Mr Ruud Lubbers and Mr Felipe González, the Belgian, Dutch and Spanish prime ministers.

MEPs show little support, Page 3
The real Delors, Page 16

Cola price war breaks out in Japan

By Emiko Terazono in Tokyo

Coca-Cola Japan, the subsidiary of the US soft drinks company, has been pulled into a cola price war to defend its market against lower priced retail brands.

Facing greater competition from cheaper colas sold by leading supermarkets, the company has imported 300,000 cases of Coca-Cola from the US to sell at reduced prices in supermarkets and fast food outlets in the greater Tokyo area.

The cola price war, new to Japan, has already hit North America and Europe, where national brand names are facing competition from cheaper retail brands.

Although the bulk of Japnese Coca-Cola sales are made through vending machines, the company's sales through retailers are steadily being eroded.

Ito-Yokado, a leading supermarket chain, has tied up with Cott, the Canadian beverage company, and two other US bottlers to produce soft drinks. The retailer sells a 354ml can at Y78 (77 cents), 29 per cent cheaper than the usual can of cola, while Daiei, the nation's largest supermarket operator, has started to sell its own brand cola made in the US at Y39. The Coca-Cola

Continued on Page 18

Glaxo in investment shake-up after losses

By Richard Waters in New York

Investments in complex financial instruments have cost Glaxo, the UK pharmaceuticals group, around £100m ($152m) in recent months, the company indicated yesterday.

Glaxo also said it had switched control of its £2.2bn investment portfolio from its own 10-member, Bermuda-based investment management group to outside experts. "We are going to concentrate on pharmaceuticals from now on, rather than investment banking," the company said.

Glaxo's losses stemmed from the investment of its huge cash pile, rather than from trading in financial markets, which has been the cause of well-publicised losses at other companies such as Procter & Gamble.

The losses are believed to have arisen almost entirely from the company's holdings of structured bonds, which amounted to 10 per cent of its investment portfolio, and collateralised mortgage obligations, which have been reported at $600m.

Structured bonds are instruments whose returns are tied to some other factor, such as the relationship between two interest rates, while CMOs are securities created from mortgage-backed bonds which carry greater risk (and potentially greater rewards) than standard instruments. Though not strictly derivatives, these securities can share many of the characteristics of such instruments, since they bring a leveraged exposure to a change in interest rates or other market-moving event.

A number of big investors in the CMO market in the US have reported substantial losses in recent months.

The head of Glaxo's investment management activities, Mr John Hignett, a former managing director of Lazards and head of the City's Takeover Panel, retired in March

His departure was not related to concerns about the quality of the investments, Glaxo said. However, after his departure, Mr John Coombe, the company's finance director, launched a review of the company's investments which revealed the losses, the company said.

The company refused to confirm directly that it had lost £100m.

However, it said: "That is what the market thinks. If the board thought the market was wrong, it would make a statement." The losses were broadly in line with the decline in bond markets in recent months, or about 5 per cent, he added.

The scale of the losses could grow further as Glaxo moves to sell its securities.

CONTENTS

LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Water group faces funding inquiry

By David Buchan in Paris

The French justice ministry said yesterday it had asked police to conduct two "preliminary" inquiries into alleged irregularities by Compagnie Générale des Eaux (CGE), the construction, utilities and communications group, in funding political parties.

CGE yesterday denied one allegation that it had paid money to a company associated with the Communist party for what CGE knew to be bogus services, but said that it understood that police were inquiring into *whether it had exceeded the* FFr500,000 (£60,240) limit on what a company and each of its subsidiaries can give political parties per year. CGE has 2,400 subsidiaries.

Meanwhile, France's other big contracting-communications group, Lyonnaise des Eaux, said it had yesterday brought a libel suit against Mr Thierry Jean-Pierre, a former magistrate, who last month was elected to the European parliament. In May Mr Jean-Pierre published a document claiming that "80 per cent of political corruption was organised by two big groups. . . .carrying out services for public authorities".

Lyonnaise des Eaux said the reference was "*sufficiently clear and precise* for a large number of newspapers to designate it [the company] without hesitation". It complained that these "groundless" allegations had caused "real prejudice" to the company's interests. The share prices of Lyonnaise des Eaux and CGE fell *immediately after Mr Jean-Pierre's* allegations.

Police interest in CGE's political funding stemmed from a corruption investigation in the French territory of Réunion in the Indian Ocean. A magistrate there, in his investigation of alleged kickbacks in the awarding of building and waste treatment contracts, has formally charged the former *Socialist mayor of St Denis, the* island's capital, as well as current or former local managers of CGE and Lyonnaise subsidiaries.

Pursuing his inquiries at CGE's offices in Paris in March, the Réunion magistrate came across some company papers, unrelated to *the St Denis affair* but which he considered suspicious enough to pass on to Paris prosecutors. These papers form the starting point of the police inquiry that the justice ministry confirmed yesterday. This week's edition of the Canard Enchaîné satirical paper claimed that Mr Pierre Méhaignerie, the justice minister, was deliberately restraining the inquiry by ref*using to call in an investigating* magistrate at this stage. But a ministry spokesman said yesterday it was first important for police to check whether there was "any reality to the suspected infractions".

CGE, which under French law would only have a right to see the results of any police or magistrate's investigation if formal charges were brought, said it believed the allegation of irregular funding of political parties related to 1982, the last year for which parties had filed full accounts. But in the 1993 parliamentary elections it said it had only given FFr11m out of the national FFr1.4bn total that went to candi*dates. "This 0.8 per cent of the total* is derisory," said a spokesman.

Kuchma seeks to bridge divisions

By Chrystia Freeland in Kiev

Ukraine's president-elect, Mr Leonid Kuchma, yesterday sought to unite his divided nation and affirm his commitment to Ukrainian independence and economic reform.

In his first public appearance since his victory at the polls, an ebullient Mr Kuchma said: "I have never suggested that Ukraine should return to the Russian empire."

Pointedly, he spoke only in Ukrainian, even in response to questions addressed to him in Russian. "I will work only for the benefit of independent, sovereign Ukraine," he said.

Mr Kuchma also held out the hope that the contested Crimea peninsula – the most dangerous flashpoint in Ukrainian-Russian relations and the most serious challenge to the integrity of the Ukrainian state – will be appeased with his electoral victory. "Crimea has voted for Ukraine," he said, alluding to the region's overwhelming support for his candidacy in Sunday's poll.

He made encouraging promises to potential western investors and welcomed the Group of Seven industrialised nations' offer of $4bn in aid to Ukraine if it begins market reforms, but he refused to commit himself on the controversial issue of *the country's nuclear status.*

"I will refer to the nuclear question in the future, but first we must analyse it in greater detail," he said, in answer to a question as to whether Ukraine will sign the Nuclear Non-Proliferation Treaty, which expires this year.

Mr Kuchma said his priority would be to act on his campaign promise to revive the economy, beginning with *changes to Ukraine's punitive* taxation policies and its fixed exchange rate system which often makes exporting unprofitable.

"The more we tax the less money we get in the state budget," he said. "The current taxation system is killing business. If we stop doing that I am *confident that more money* will flow into the government's coffers."

Before implementing his economic programme, Mr Kuchma must assert his control over Ukraine's government, thrown into confusion by the unexpected defeat of President Leonid Kravchuk. The president-elect struck an initially conciliatory tone, promising that there would be "no witch hunt". He also said he had met Mr Vitalii Masol, the prime minister, and was prepared, for the time being, to work with him, although there would soon be changes in the cabinet.

Behind the placatory phrases, however, were signs that once he has established himself in office, Mr Kuchma intends to rule Ukraine with a strong hand. "I did not take power in order to give it away," he told reporters.

Struggle for control of TV in Italy

Robert Graham in Rome surveys the battlefield as new RAI board takes over

A new five-strong board yesterday took control of the RAI, Italy's state broadcasting corporation, amid a growing debate within the country over control of the media by the government.

This is the first European administration whose prime minister, Mr Silvio Berlusconi, not only owns television interests but controls almost half the nation's airtime through *his Fininvest media empire.*

The board was approved late on Monday as a result of a compromise between Mr Berlusconi's Forza Italia party and the other two main partners in the right-wing coalition – the populist Northern League and the neo-fascist MSI/National Alliance.

The members include a medieval historian, a prominent female stockbroker, and businessmen close to Confindustria, the industrialists' organisation. Their backgrounds reflect a sharp swing away from the cultural influences inspired by the left in the post-war era.

They displace a transitional team, dubbed the professors because of their academic backgrounds, which was appointed last year to manage the RAI, pending the outcome of general elections and an eventual reform of broadcasting. Its mandate was due to run until 1995.

As he prepared to hand over the chairman's office, Prof Claudio Dematte was less concerned at his enforced departure than that of the ill-defined future of television. "A year ago, on July 13, I accepted this job – to act like a civil servant carrying out a transitional role at the RAI," said the 52-year-old, Harvard-educated professor of business administration. "The government is perfectly entitled to change the RAI. But the way it was handled was unfortunate."

President Oscar Luigi Scalfaro was obliged to intervene so as to prevent Mr Berlusconi exercising direct control over the appointment, leaving it in the hands of the speakers of the two houses of parliament. As a result, the league has ensured that the board is not completely under the thumb of Mr Berlusconi.

"As a teacher of business administration, the first thing I tell students is that the shareholders of a company must entrust management with a clear mission... But the new management has not yet had its role defined," said Prof Dematte.

So far, the government has only talked of improving the RAI's finances – the formal excuse for sacking the board. With losses of L479bn ($317m) and outstanding debts of L1,496bn in 1993, no-one disputes the financial fragility of the RAI. But a savage cost-cutting programme is under way that includes a 15 per cent reduction in staff and the ending of abuses of overtime and foreign travel. By 1995, a modest surplus is projected.

With what seems a reasonable restructuring plan in place, it is hard to escape the conclusion that the government is more interested in exercising control over a medium which every Italian watches *for an average of four* hours a day. Control in this sense is not simply a question of the political content – just as important is the ability to shape the RAI's future and decide whether the state should retain a presence in broadcasting.

"RAI's three channels are too many," said Prof Dematte. If changes are to be made, he argues, the government should clarify whether the RAI either continues to offer a broad base of programmes or concentrates on specific and minority interests.

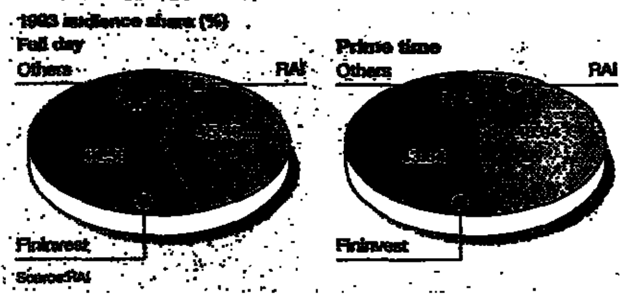
For instance, the focus could be on news, current affairs and culture, ignoring entertainment. Or it could operate one general channel and other specialised channels (sport, films, etc.). At present, Fininvest's channels are heavily oriented towards entertainment, presenting almost 40 per cent more hours of films, chat shows and soaps. Its news side loses money.

Prof Dematte insists that any changes in the structure of the RAI must take account of Fininvest's own three commercial channels. "There is an effective duopoly between the RAI and Fininvest, where both have been conditioned by competing against each other." Ferocious competition in the late eighties forced up the cost of each other's stars and imported programmes.

"Whatever service you take from the RAI potentially benefits the competition," claims Prof Dematte. This also applies to advertising, Fininvest being especially sensitive to the RAI's 7.2 per cent increase in advertising revenue when the market was stagnant in 1993.

Thus the reform of the RAI inevitably raises a conflict of interest between Mr Berlusconi reshaping state television and his continued ownership of Fininvest. Beyond this, as emphasised in a debate staged on Tuesday in Milan by Mr Indro Montanelli, a veteran newspaper editor, it raises the issue of the lack of an adequate system of checks and balances on government attempts to control the media.

Italian TV: who's watching what



Source: RAI

Germans on parade for Bastille Day in France

Chancellor Helmut Kohl has invited three leading Germans with links to the resistance against Hitler to come with him to Paris today to attend France's Bastille Day celebrations, when German troops – among them soldiers of the 10th Panzer Division pictured above yesterday outside Paris – will join the parade for the first time since the second world war as members of the Eurocorps, writes Quentin Peel in Bonn. Mr Ewald-Heinrich von Kleist was a junior officer involved in the July 20, 1944 conspiracy to assassinate Hitler, and his father was executed for his part in the resistance. Mr Klaus von Dohnanyi, former lord mayor of Hamburg, and Mr Manfred Rommel, the lord mayor of Stuttgart, will also attend. Mr von Dohnanyi's father was murdered in Flossenburg concentration camp, while Mr Rommel's father, Field Marshal Erwin Rommel, was forced to commit suicide for his links to the July 20 plotters.

Police break up protest at German nuclear waste site

By Quentin Peel in Bonn

Several hundred German police moved at dawn yesterday to clear some 400 protesters from a makeshift village *outside Germany's proposed* nuclear waste disposal site, in an escalation of the campaign against nuclear energy.

The confrontation comes as the first delivery of highly radioactive nuclear waste is expected at the remote Gorleben plant on the banks of the river Elbe, where it is supposed *to be stored temporarily* pending a legal decision on how to dispose of such waste permanently.

Fears of violence evaporated when police approached the impromptu roadblocks unarmed, and the demonstrators offered only passive resistance. But they had to be carried away from the site before bulldozers moved in to clear the road.

It was uncertain last night how soon nuclear waste deliveries could start, because the protesters had dug tunnels under the entrance roads at the Gorleben site, although the storage plant itself is protected by massive security fences.

Failure to resolve the question of nuclear waste disposal *in the face of anti-nuclear* protests has left the industry's future in Germany in doubt. Attempts to negotiate an overall energy consensus, involving the electricity industry and state and federal governments have broken down. Local authorities and the Lower Saxony state government have been pitted against the federal government in Bonn, causing a stalemate over waste disposal plans for almost 20 years.

The Lower Saxony authorities, who are in control of the state's police under the German federal system, instructed them this week not to charge protesters with any offence. But the local council in the Gorleben area banned any public assembly, giving police the excuse to move in.

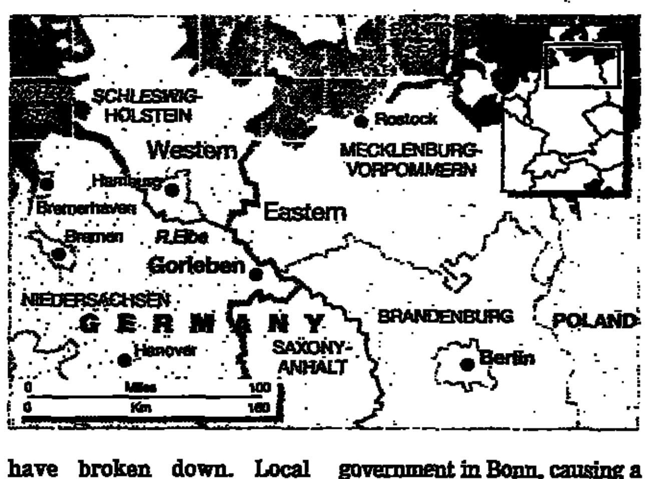
Low-level nuclear waste is already stored at the Gorleben site, but temporary storage of high-level waste has been blocked by repeated and extended planning inquiries organised by Ms Monika Grie*fahn, the Social Democrat* environment minister in Lower Saxony.

She admitted recently her efforts had been exhausted, and the first vitrified glass containers of high-level waste from the Philippsburg nuclear reactor in Baden-Württemberg are expected imminently, with the approval of Mr Klaus Töpfer, environment minister in Bonn.

The so-called Castor containers are to be kept in a huge warehouse, in conditions of strict security, pending a decision on permanent disposal. That has hitherto been banned under German law, which favoured recycling. In the meantime, most nuclear waste from Germany's nuclear power *stations is being sent to* reprocessing plants in France and Britain, to be converted into plutonium and re-used in the nuclear system.

Any question of permanent disposal of nuclear waste at Gorleben – in a salt mine currently being dug for the purpose – remains in doubt because of opposition of local authorities. The Lower Saxony government wants to link any decision on use of the site to a comprehensive plan to phase out all nuclear power production in Germany.

Until German authorities at state and national level can agree on nuclear waste disposal, the industry will depend on its reprocessing contracts with France's Cogema and *BNFL's Thorp plant at Sella*field to recycle waste. But if they reach agreement on the Gorleben project, a second phase of those contracts after the year 2000 may be unnecessary.



Japanese cars lose ground in Europe

By Kevin Done, Motor Industry Correspondent

Japanese carmakers have suffered a heavy loss of market share in the west European new car market in the first six months this year, their competitiveness hit hard by the rapid appreciation of the yen.

Overall sales have risen by 6.8 per cent to 6.5m from 6.08m in the corresponding period a year ago, according to industry estimates. Sales by Japanese carmakers, by contrast, have fallen by 5.8 per cent to an *estimated 712,000 depressing* their share to 11 per cent from 12.4 per cent a year ago.

Seven of the eight Japanese manufacturers in the west European market have seen *volumes fall in the first six* months – Suzuki and Daihatsu have both lost over a fifth.

Last month, total sales rose in west Europe by an estimated 12.9 per cent to 1.065m from 943,000 a year ago. The *recovery has strengthened sig*nificantly in the past two months, and new car car sales in west Europe have been higher than a year ago in five of the past six months.

Last year, they fell by more *than 15 per cent, the steepest* annual decline in the post-war period.

In June sales were higher than a year ago in all 17 markets across west Europe led by the UK, *Spain and Scandina*via. In the first half of the year, sales were lower than a year ago in only four markets – Italy, Austria, Portugal and Greece – while sales in Germany rose only marginally.

Significantly, demand has picked up in the past two months in both Germany and Italy, the leading European volume markets. Sales in Germany in June rose year-on-year by an estimated 5.6 per *cent; in Italy by 7.1 per cent.*

Four of the big six volume carmakers in the west European market – General Motors (Opel in continental Europe and Vauxhall in the UK), Peug*eot Citroën, Ford and Renault* – have all gained ground. Peugeot sales have risen by an estimated 13.1 per cent in the first six months helped by recovery of the French market.

Volkswagen is suffering from weak demand for VW and Audi, but has seen sales rise *for Seat and Skoda, its Spanish* and Czech subsidiaries. Some of the biggest gains have been achieved by the specialist makes, Mercedes-Benz, Saab, Volvo and Rover.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-June 1994

	Volume (Units)	Volume Change(%)	Share (%) Jan-Jun 94	Share (%) Jan-Jun 93
TOTAL MARKET	6,496,000	+6.8	100.0	100.0
MANUFACTURERS:				
Volkswagen group	1,066,000	+3.6	16.4	16.9
– Volkswagen	694,000	+0.3	10.7	11.4
– Seat	173,000	+23.9	2.7	2.3
– Audi	169,000	–2.2	2.6	2.8
– Skoda*	30,000	+19.1	0.5	0.4
General Motors#	840,000	+7.5	12.9	12.8
– Opel/Vauxhall	805,000	+6.9	12.4	12.4
– Saab**	27,000	+32.8	0.4	0.3
PSA Peugeot Citroen	816,000	+13.1	12.6	11.9
– Peugeot	488,000	+10.0	7.5	7.3
– Citroen	328,000	+18.1	5.1	4.6
Ford group#	759,000	+8.6	11.7	11.5
– Ford	753,000	+8.5	11.6	11.4
– Jaguar	6,000	+3.0	0.1	0.1
Fiat group##	749,000	+4.5	11.5	11.8
– Fiat	579,000	+7.8	8.9	8.8
– Lancia	99,000	–3.2	1.6	1.7
– Alfa Romeo	64,000	–9.4	1.0	1.2
Renault	689,000	+9.3	10.6	10.4
BMW group	399,000	+7.0	6.1	6.2
– BMW	201,000	+1.1	3.1	3.3
– Rover	198,000	+13.8	3.0	2.9
Mercedes-Benz	229,000	+39.7	3.5	2.7
Nissan	210,000	–1.6	3.2	3.5
Toyota	168,000	–3.4	2.6	2.9
Volvo	111,000	+25.3	1.7	1.5
Mazda	102,000	–8.4	1.6	1.8
Honda†	86,000	+6.0	1.3	1.3
Mitsubishi	66,000	–16.4	1.0	1.3
Suzuki	44,000	–21.3	0.7	0.9
Total Japanese	712,000	–5.8	11.0	12.4
MARKETS:				
Germany	1,762,000	+0.7	27.1	28.7
Italy	1,058,000	–2.6	16.3	17.9
United Kingdom	956,000	+14.0	14.7	13.8
France	938,000	+15.3	14.4	13.4
Spain	455,000	+19.6	7.0	6.2

*VW holds 31 per cent and management control of Skoda.
#Includes cars imported from US and sold in western Europe.
**GM holds 50 per cent and management control of Saab Automobile.
Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati.
Source: Industry estimates

Services take lead in Russia

By John Lloyd in Moscow

Services are now contributing more to the Russian economy than manufacturing – a remarkable sign that reforms, painful and still far from complete, may be working.

Figures from the state agency Tosaomstat reveal a momentous shift in an economy which in Soviet times was expressly dedicated to production. It means that Russia is now developing the beginnings of a profile associated with advanced economies – where services account for a higher proportion of gross domestic product and employment than making things.

However, it appears that much of the improvement is due to the informal or "grey" sector of the economy, so defined because it at least pays no taxes and parts of it may be wholly criminalised. Studies of this sector differ as to its size, but the average estimate is that it may account for around 25 per cent of gross domestic product.

The figures for the first six months for this year showed that services of all kinds generated nearly 50 per cent of GDP estimated to total Rbs245,000bn. Manufacturing output, by contrast, contributed 42.5 per cent and has declined by more than 25 per cent in the first half of this year. Engineering was particularly hard hit, *falling by about* 44 per cent on the first six months of last year.

Investment shrank by 27 per cent in the first half, but the share of investment in private and semi-private enterprises rose from just over 30 per cent to 40 per cent of the total. Foreign investments in the period was only $280m.

At the same time, the figures show that real disposable income has gone up by some 10 per cent over the same time last year.

Experts now in Moscow on *missions from the main inter*national financial institutions say the apparent paradox of tumbling production and rising income is explicable in large part because of the growth of the "informal" sector, which remains largely a matter for estimations.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363 Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

EUROPEAN NEWS DIGEST

Alitalia, unions reach accord

The management of Alitalia, Italy's state-run national airline, yesterday reached a ground-breaking agreement with the main trade unions that involves the ending of damaging restrictive labour practices. The outline agreement follows a strike on Monday and series of wildcat strikes which caused chaos to Alitalia's operations last week. The deal centres on a commitment by unions to end their ban on cabin crew being allowed to switch between different types of aircraft, longer working hours, an unspecified cut in wages and a freeze on pay increases through to 1996 plus a stop on new recruitment. Against this, redundancies among ground staff, originally planned at 4,000, will be 1,570. But this figure does not include 800 people approved for early retirement by the previous Ciampi government and natural wastage envisaged at about 800 a year during the course of the three-year restructuring plan. Yesterday Alitalia declined to give details of the agreement, which must now be put before union members for approval. Sulta, the militant cabin crew union, excluded from the negotiations and which caused the wildcat strikes of last week, said it would reject the deal. Its members, some 300 strong, also said they would go ahead with planned strikes on July 21 and 22. *Robert Graham, Rome*

Russians 'money-laundering'

Millions of pounds have been laundered by Russian criminals through banks in the United Kingdom since Russia's moves towards market and currency liberalisation, a senior UK law enforcement official announced yesterday. Mr Albert Pacey, director-general of the National Criminal Intelligence Service, told reporters in Moscow that of 13,000 "suspicious" transactions reported by UK financial institutions last year, 200 involved funds from the Russian Federation. "That is not a large number but what distinguishes them were the amounts of money involved – from half a million pounds to several million pounds," he said, speaking after meetings designed to build a working relationship with Russian law enforcers. *Leyla Boulton, Moscow*

Austria poll set for October 9

The Austrian government has called general elections for October 9 and European elections will be held early next year, after Austria's January 1995 admission to the European Union, interior ministry officials said yesterday. Austria's coalition government, led by Chancellor Franz Vranitzky's Social Democrats (SPOe) with their junior partner, the conservative People's Party (OeVP), was successful in securing a Yes vote in the referendum on EU membership in June, but the SPOe had fared badly in regional elections in March. Austria's far right Freedom Party (FPOe), led by Jörg Haider and one of the parties opposing EU membership, retained suport at regional elections, and Mr Haider has claimed that those who voted No in the referendum will support him in October. The Social Democratic party has ruled alone or in coalition since the early 1970s, and analysts argue that the SPOe coalition is likely to hold on after the election. *Reuter, Vienna.*

UK, France pressure Serbs

The foreign ministers of Britain and France yesterday tried to tighten the screws on Serb leaders and warned of a wider war if rival communities failed to endorse the plan for Bosnia's partition along ethnic lines. Bosnian Serb leaders told the foreign ministers of Britain and France yesterday they would neither endorse nor reject the "last-chance" plan. In meetings with Bosnian Serb leaders, Mr Douglas Hurd, UK foreign secretary, and Mr Alain Juppé, his French counterpart, said earlier the international community expected Serb forces to hand over one-third of the 70 per cent of Bosnian territory they hold. Under the plan, the new Moslem-Croat federation would gain control over 51 per cent of the war-torn country leaving 49 per cent to the Bosnian Serbs. Mr Hurd warned that if the plan is rejected, the five nation "contact group" – comprising the US, Russia, Germany, the UK and France – have considered lifting the arms embargo against the Moslem-Croat federation, further tightening of UN sanctions and withdrawal of the 18,000-strong UN force from Bosnia. The ministers were later due to meet President Slobodan Milosevic, who they hope will join them in persuading Bosnian Serbs to accept partition. The Serb assembly – far more radical than its leadership – has rejected previous peace plans despite intense international pressure. *Laura Silber, Belgrade*

UN in $540m Sarajevo project

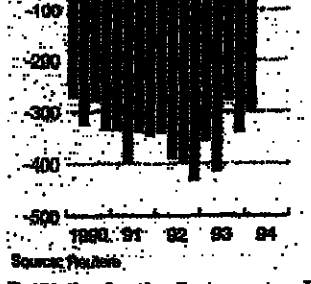
Despite the uncertain prospects for peace in Bosnia-Hercegovina, work is about to begin on a $540m UN co-ordinated action plan for the restoration of essential services to Sarajevo, United Nations officials said yesterday. Nearly half the money is needed for projects described as "urgent" and scheduled for completion by the end of this year. Immediate priorities include restoration of the city's gas supply, water chlorination, refuse removal, restoration of power lines and repairs to schools in time for the autumn term. Mr Edouard Rousselot, operations director for the action plan, said over $68m had already been raised following a pledging conference in New York in June, the three largest donors so far being the US, Britain and Japan. *Frances Williams, Geneva*

Riviera beach pollution claim

Excessively high levels of bacteria from human waste were found in the water off four of 11 French Riviera beaches tested, environmentalists said yesterday. The Greens party called for an investigation on whether bathing was safe at the four beaches after laboratory tests of water quality were conducted at the request of the Vai Nissa, an association led by Patrice Miran, a political leader in the region who is also a Greens member. The tests, conducted last week, found levels of bacteria well above guidelines set by the European Union. *Reuter, Nice*

ECONOMIC WATCH

Portugal's trade deficit falls



Source: Reuters

Portugal's trade deficit fell 15.7 per cent during the first three months of 1994, compared with the same period last year, to Es300.5bn (£1.2bn), the National Statistics Institute said yesterday. An 11.9 per cent increase in first-quarter export earnings to Es663.2bn strengthened signs of recovery after recession in 1993 caused mainly by a fall in exports. Spending on imports rose 1.4 per cent to Es963.7bn. The trade deficit with the European Union, which accounts for 72 per cent of Portugal's foreign trade, fell 26 per cent to Es178.6bn for the first quarter. Exports to the EU rose 10.8 per cent to Es496.7bn. Imports fell by 2.1 per cent to Es675.3bn. In a further sign of recovery, the government yesterday forecast an increase of almost 50 per cent in tourism earnings this year to about Es1,000bn. *Peter Wise, Lisbon*

■ French M3 money supply shrank 0.8 per cent in May from the previous month, giving a year-on-year fall of 4.1 per cent, the Bank of France said.

■ Western German wholesale prices in June rose at their fastest pace of the year, rising 0.8 per cent from May and up 1.8 per cent year on year, the Federal Statistics Office said.

■ Spain's broad M4 money supply rose 11.6 per cent in June from May, the Bank of Spain said, while lending to the private sector rose 5.8 per cent from May.

MEPs show little support for Santer

The FT polled Euro-MPs on their preference for Commission president. **David Marsh and David Gardner** report

The Maastricht treaty sought to strengthen the European parliament's standing by giving the Strasbourg assembly the right to be consulted on the choice of Commission president.

Judging by an FT opinion survey carried out by telephone with 150 of the 567 MEPs elected on June 9 and June 12, the innovation could misfire.

Mr Jacques Delors, the present European Commission president, and Mr Giuliano Amato, the former Italian prime minister, top the list of favoured candidates.

Mr Jacques Santer, the Luxembourg prime minister who is favourite to be chosen by the special summit in Brussels tomorrow, comes well down the poll.

When the newly elected deputies meet next week to ponder the new president, there is likely to be no more than an unenthusiastic endorsement of Mr Santer.

Mrs Pauline Green, the British Labour Euro-MP who leads the dominant Socialist group at Strasbourg, said yesterday: "We want somebody of the right stature and ability to deal with world leaders."

She warned that, under the Maastricht treaty "we have a constitutional right to veto and we're prepared to use it". She also suggested that "if the [European] Council can't decide" on a successor to Mr Delors "then maybe we should nominate someone."

The FT's opinion poll, carried out between July 8 and 13, gives only an incomplete guide to MEPs' sentiment. Nonetheless, the sample of 26 per cent of MEPs, spread throughout the European Union and including a representative selection of all the Strasbourg political groupings, has produced the first insight into the assembly's views.

MEPs from the following countries gave firm responses to FT researchers conducting the poll: Germany (22), UK (33), France (15), Italy (20), Spain (5), Belgium (9), Ireland (8), Netherlands (18), Portugal (12), Denmark (4), Greece (4). None of the six MEPs from Luxembourg could be contacted.

A total of 177 MEPs were contacted by telephone and asked to take part in the poll, with 27 declining. The MEPs were asked to list in order of preference their three favoured candidates. Mr Delors was given 35 first places, seven second places and eight third places. Mr Amato gained 23 first places, 15 second places and six third places.

Mr Jean-Luc Dehaene, the Belgian prime minister, who was the leading candidate until opposed at the Corfu summit, gained 15 first places, 14 second and 14 third.

By contrast, Mr Santer was given first place by only six MEPs, with one putting him in second place and five in third.

Mr Helmut Kohl, the German Chancellor and current president of the European Council, is likely to be told of MEPs' hesitancy about Mr Santer on Friday. At Mrs Green's insistence, he will then meet the leaders of the main political groups in the parliament to sound them out before joining heads of government at the Brussels summit.

Whoever emerges as the European Council's nominee from tomorrow's summit will be expected to appear before the Socialist group in Strasbourg next Tuesday, and then the parliament's full plenary session on Wednesday.

On Thursday, MEPs intend to vote on the candidate. Although Maastricht entitles them only to approve or reject the Commission as a whole, if the vote were negative or even close it could badly damage the credibility of the choice.

The parliament insists all members of the Commission be named by the end of October, and intends to hold individual, US Senate-style confirmation hearings of the member states' nominees before voting on the whole Commission in December. There is no provision in Maastricht for these but the assembly says it will not put ratification of the Brussels team on the agenda unless they are held.

Readers requiring more information on the FT poll should contact Neil McDonald, FT Research Unit, 071-873-3385.

Who the MEPs would like as next Commission president

Incumbent Delors and Italian ex-PM Amato top popularity list

Figures indicate number of MEPs naming candidate as first choice

Source: FT Poll of 150 MEPs July 8-13. Figures do not add up to 150 as 10 MEPs named another candidate as first choice

Redesign for dollar to beat counterfeiters

By Ken Warn in Washington

The US Treasury yesterday unveiled plans to change both the look and security features of the dollar, to try to stem the rising tide of fake bills.

This is the first significant change to US paper money since 1929, when note sizes were reduced by 25 per cent.

But, while the dollar may be out of favour on the foreign exchange markets, it remains the currency of choice among international counterfeiters.

No-one knows the full extent of their work but Mr Guy Caputo, deputy director of the US Secret Service, the Treasury's anti-counterfeiting bureau, yesterday estimated that, for fiscal 1994, fake bills with a face value of some \$130m (£82.8m) would be seized overseas and about \$70m in the US.

More than \$350bn of US notes is in circulation, more than half outside the US. However, the US is becoming increasingly concerned at what could be destabilising effects of counterfeiting overseas, particularly from plants in the Middle East, officials said.

Mr Lloyd Bentsen, Treasury secretary, rejected suggestions that the US should recall its existing currency and issue a new one. The advantages of that, such as flushing out criminals' cash hordes and disrupting the laundering of drug money, would be more than offset by the potential loss of confidence in the dollar, said Mr Frank Newman, Treasury under-secretary for domestic finance.

The US has never demonetised or recalled its currency, official after official told the House banking committee yesterday as the plans were unveiled, nor will it now.

Older bills will continue to be valid but Secret Service operations against faking the older-style notes would be stepped up and destruction of old notes, as they wore out, would continue until the vast majority of bills in ciculation was of the new design, Mr Newman said.

The Treasury does not intend to change the size, colour or portraits on the notes, but the central portrait that dominates one side of each bill will be enlarged and moved off-centre, and a battery of new security devices will be introduced, to try to combat ever more sophisticated counterfeiting technology.

The Treasury plans to introduce a watermark and an enhanced security thread in a different position for each denomination. Such threads were first introduced in 1990 for \$50 and \$100 notes. The plans also include increased use of microprinting, in the design and in reflective material embedded in the paper.

The new bills would also feature "interactive or moire'" patterns that distort when copied photographically. Covert, machine-readable features would also be introduced.

The changes would increase the cost of producing an individual note by an estimated 1 per cent and the first new \$100 notes would be in circulation by 1996, officials said, with other demonimations to follow.

Despite the fanfare with which the Treasury unveiled its proposals, officials admitted that they are now on a treadmill of introducing new design features in efforts to thwart forgers.

"In the future, more frequent changes will be required, to meet the threat of advances in technology, and each change will necessitate further public education," said Ms Mary Ellen Withrow, US Treasurer.

"Our plan is a pre-emptive step to protect US currency from high-tech counterfeiting," Mr Bentsen said.

Although forged bills made up only a tiny fraction of those in circulation, "we would risk eventual diminishment of confidence in the integrity of our currency if we did not change it to meet the challenges of a new generation of technology," he said.

President Itamar Franco of Brazil (pictured above) looks set to order a pay rise for military and government employees early next week, which would raise serious concern about the government's ability to control spending before the presidential election due in October, reports Angus Foster in São Paulo.

Mr Franco has asked finance ministry officials to assess the government's scope to raise salaries. A decision is likely on Monday or Tuesday. "The president wants an increase; it is the size which is being discussed," said his spokesman, Mr Fernando Costa.

The president has come under pressure from the military, who complain their salaries have not kept pace with inflation for many years. Mr Romildo Canhim, a minister with close military links and who has been reviewing pay levels, has suggested an average 28 per cent rise for most government employees. That would lift government spending by the equivalent of about \$2.5bn (£1.6bn) this year.

Analysts said the request was optimistic but that any increase at this stage would damage the government's credibility. The current anti-inflation economic plan needs a balanced budget to help convince markets that the government will not start printing money to pay its bills.

The president has already proposed an 8 per cent increase in the minimum wage, to take effect this year, and a package of emergency spending in Brazil's north-east, together likely to cost more than \$800m.

Bill to outlaw replacement of strikers fails

A bill to outlaw the permanent replacement of striking workers was thrown out by the Senate yesterday, in a blow to US organised labour and the Clinton administration, Ken Warn reports from Washington. Backers of the bill failed by seven votes to muster sufficient support to overturn a Republican filibuster of the bill, meaning it is unlikely to be reintroduced this year.

The legislation, a version of which was approved last year in the House, would have prevented companies from permanently replacing workers on strike for more pay. But employers would not have been prevented from using managers or temporary replacements to continue operations during a strike.

The bill was opposed by US business. "Senators understand this bill would have serious consequences for the economy and US competitiveness," Mr Jeff Joseph, vice-president for domestic policy at the US Chamber of Commerce, said.

Unions pushed for the change, and President Bill Clinton had promised to sign the bill if it passed Congress. Permanent replacement of strikers has been legal in the US since 1938. The issue became controversial in the 1980s.

US inflation pressure stays moderate

US inflationary pressures remain moderate, despite robust economic growth, official figures indicated yesterday, writes Michael Prowse in Washington.

The consumer price index rose 0.3 per cent last month, and by 2.5 per cent in the year to June, in line with Wall Street projections.

The "core" consumer price index, which excludes the volatile food and energy components, rose by 0.3 per cent and 2.9 per cent respectively.

Economists at C J Lawrence, the New York broker, said inflation in the US service sector, at 3.2 per cent in the year to June, had fallen to its lowest in a decade. Inflation in the goods sector has edged up in recent months, but is still at an annual rate of only 1.6 per cent.

Following reports on Tuesday of zero producer price inflation last month, the figures were not seen as putting immediate pressure on the Federal Reserve to tighten monetary policy.

Most analysts, however, expect the Fed to signal further interest rate increases in coming months, as part of a longer-term strategy to prevent rapid economic growth eventually putting strong upward pressure on inflation.

US oil loses its clout

A troubled industry finds political support hard to come by, write Jeremy Kahn and Robert Corzine

One of the maxims of political life in the US is that Big Oil can grease any jammed government wheel in Washington.

If so, some US oil executives and entrepreneurs must be wondering whether they have lost their touch.

Last March, more than 100 federal lawmakers requested a meeting with President Bill Clinton. They were concerned that low oil prices were accelerating the decline of the industry, which has seen daily average production fall from 10.245m barrels in 1983 to 8.565m last year.

The lawmakers also feared that the accelerating pace of lay-offs in the industry – 22,000 jobs have been shed since November 1993 – would depress regional economies. Some also feared that US dependence on foreign oil, which now accounts for more than 50 per cent of daily consumption for the first time, jeopardised national security.

That meeting was not held until June 16, when Mr Clinton and other administration officials sat down behind closed doors with more than 80 members of Congress to review ways of bolstering the domestic oil industry.

Mr Clinton listened to dozens of proposals, ranging from tax incentives to regulatory reform, but offered no firm commitments, according to those at the meeting.

That cautious approach has characterised the administration's dealings with the sector, a fragmented mix of companies that includes the largest US corporations as well as some of the smallest. Some analysts say the often conflicting needs and expectations within such a diverse industry has hampered its ability to get a strong message across to the administration.

They cite the gulf between the concerns of an Exxon, and those of the freewheeling entrepreneurs or the small "Ma and Pa" oil companies that operate across the "oil patch" states of Texas, Louisiana, Oklahoma, California, Colorado.

"Independent [producers] get all their investment from well revenue," says Ms Denise Bode, president of the Independent Petroleum Association of America, a lobbying group for many of the small producers.

"They need something that can stabilise these erratic prices that are beyond our control. A modest sense of security is the least the government can do to provide a little downside protection."

Tax incentives to keep operating the 15 per cent of US wells defined as marginal – producing less than 15 barrels a day – if oil prices fell below \$20 a barrel and the wells' viability were in jeopardy, have won tentative approval from the White House. But Mr Clinton said any incentives should not increase the budget deficit.

The requirement that any help be "revenue neutral" also affects proposals aimed more at the 50 or so big independents and oil majors that account for almost three-quarters of total US oil production.

Mr Clinton endorsed the concept of royalty relief and tax incentives for operations employing new drilling methods or those undertaking oil exploration – including the deep-sea drilling which promises to unlock big new oil fields in the Gulf of Mexico. Relief would only be granted, however, if the interior department determined that drilling would not otherwise occur, according to Mr Bill White, deputy energy secretary.

But details of such schemes have yet to materialise, and many industry figures remain sceptical that the administration will offer anything more than marginal relief. "I think there has been a tremendous amount of sympathy expressed but we haven't seen a lot of action," said Ms Bode.

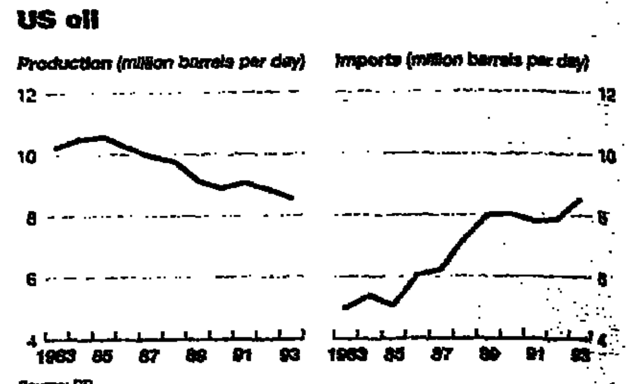
The debate over whether to lift the 20-year old export ban on Alaskan North Slope oil exemplifies the dubious political rewards of getting too deeply involved in oil issues.

Amid warnings that the US would be running foul of international free trade provisions, Mr Clinton has offered tentative support to a deal between oil producers and some labour unions to lift the export restrictions.

The prohibition was a 1973 oil crisis trade-off for congressional approval of the trans-Alaska oil pipeline. The ban has since been championed by a range of groups, including environmentalists who fear further exploitation of the Alaskan wilderness.

Under an arrangement engineered mainly by British Petroleum, the largest Alaskan oil producer, the ban would be lifted on condition that only US flagged and crewed tankers be used for export. But international shipping groups have warned that such a restriction would be prohibited under the General Agreement on Tariffs and Trade and might interfere with Organisation for Economic Co-operation and Development negotiations on shipping liberalisation.

Mr White said Mr Clinton was aware of the "substantial" trade complications lifting the ban poses and would only support eliminating it if these issue were resolved.



Source: BP

Brussels plan for export credit rules

By Guy de Jonquières and Richard Lapper

European Union members would be required to narrow differences between the terms on which they provide exporters with medium- and long-term credit guarantees under a directive proposed by the European Commission yesterday.

The draft legislation is intended to limit unfair competition between the 12 governments in export financing and to control their mounting losses on bad debts, which have totalled Ecu7bn (£5.4bn) in the past three years.

Though drawn up in negotiations with EU government officials and export credit agencies, some of the proposals are likely to arouse concern in Britain and the Netherlands. The Commission hopes, nonetheless, that the directive will be approved this year by the Council of Ministers, on a majority vote, and will lead to a wider agreement between the 25 members of the Organisation for Economic Co-operation and Development.

EU export credit agencies guarantee medium and long-term contracts worth about Ecu30bn annually, roughly two thirds of total guarantees by OECD members. Many national treasuries are unhappy about the costs and risks involved. The directive falls short of calling for full harmonisation of export credit rules, but seeks more common ground in three areas:

- By setting guidelines for guarantee conditions, notably in respect of the types of risks and the proportion of loss covered. Coverage would be limited to 90 per cent of the value of an exporter's order and 95 per cent of a project's cost.

In the UK, the only EU member where cover up to 100 per cent is available, exporters have protested that a reduction in the percentage would raise their costs and handicap them against bidders from the US, Japan and Canada, which all provide 100 per cent guarantees. The directive seeks to meet these objections by allowing 100 per cent cover when there is only one EU bidder for an international contract, or when several EU export credit agencies agree to match support available to non-EU bidders.

- By laying down rules for calculating export credit premiums. These would have to be no more than 35 per cent above or 10 per cent below an agreed norm.
- By dividing country cover into six categories, according to the countries' creditworthiness, economic and political stability and weight in insurers' overall portfolios.

The directive would also require greater transparency by obliging export credit agencies regularly to exchange information and explain cases of unusually large exposure to individual countries.

This proposal is intended to underpin a future common EU foreign policy and is not expected to be widely applied until further progress is made towards that goal.

Britain's Export Credit Guarantee Department said yesterday it would closely examine the wording governing exceptions to the ban on 100 per cent cover. But it welcomed the commission's statement that premiums should reflect risks, and that rates should cover the cost of claims.

Dutch concern is understood to focus on the proposals for the wording of policies. Unlike most other European agencies, Dutch policies cover all risks except for those specifically excluded.

Commission officials said they expected growing budgetary pressures to rally governments behind yesterday's proposals. These are separate from proposals on short-term export credit rules, to be made by the Commission's competition directorate in September.

Efforts have been made to harmonise export credit rules since the European Community was formed in 1957. Yesterday's proposals are intended to replace a 1970 directive which was widely ignored.

Gatt caught in Congress crossfire

Nancy Dunne on threat to US ratification of Uruguay Round

It is hard to tell friend from foe as months of back-biting have eroded the bipartisan majority in Congress which has long supported liberalised trade.

When an agreement was struck among the members of the General Agreement on Tariffs and Trade last December, there seemed to be few hindrances to its approval in the US this year, beyond a busy congressional schedule.

There was then no hint of the highly charged partisanship and the soaring level of distrust that now surrounds the question.

The test comes today as legislation approving the Uruguay Round deal gets its first inspection today in the key House Ways and Means committee.

The perception that President Bill Clinton stumbled at the Group of Seven meeting in Naples, where his plan for further trade negotiations was rejected, has fuelled Republican hopes of gains in the House of Representatives in the elections in November.

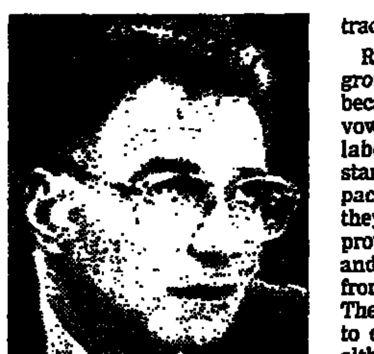
The administration has been scrambling for months to find the \$13bn or \$14bn needed for passage. Although most economists say the deal will stimulate business and ultimately increase tax revenues, arcane and controversial budget rules require that either new fees be imposed or programmes cut to compensate for the expected loss in tariff revenue over the next five years.

Congress can waive the budget rules and in ordinary times would. Current posturing has Republicans such as Minority whip Newt Gingrich calling for a waiver and insisting that no new taxes would be acceptable.

Democrats, uneasy about presidential vulnerability and fearing that support of a waiver would make them subject to charges of big spending, have come up with a number of funding proposals, all of which have been demolished by lobbyists representing the various interest groups.

Senator Pat Moynihan, chairman of the Senate Finance committee, fumed on the Senate floor earlier this week, accusing fellow Democrats at the White House of "leaks, distortions and innuendos". The focus of his ire was a line which appeared in the Wall Street Journal saying that White House aides were worried that Congress would not have time "to get to the world trade pact this year".

It was the administration which had failed to submit a funding proposal, the senator said. It was the administration which encumbered the implementing legislation with a controversial request for new "fast track" authority to negotiate more free trade deals which Congress cannot amend. He threatened to delay the proceedings unless the White House this week formally delivered a funding proposal.



Nader: sovereignty warnings

A funding proposal is in fact now nearly complete, although as one Senate staffer predicted: "The cuts won't be real because the losses aren't real." One of its more ludicrous features is the raising of between \$1bn and \$3bn by more quickly voiding uncashed welfare and food stamp payments.

The odds are still in favour of passage of the implementing legislation this year, but obstacles remain. Hoping to proceed with trade negotiations with Chile and other Latin American countries, the administration has included in the implementing legislation a request for new "fast track" negotiating authority.

Republicans and business groups are in open rebellion because the administration has vowed to include negotiation of labour and environmental standards in all future trade pacts. Many Democrats say they will oppose a fast-track provision if mention of labour and environment is dropped from the fast-track language. The administration may have to drop the fast-track request, although it will be much more difficult to get later on.

Worries about potential loss of US sovereignty by the new World Trade Organisation are being skilfully exploited on the left by Ralph Nader's Public Citizen and on the right by two former right-wing presidential candidates, Mr Pat Buchanan, the television commentator, and Mr Pat Robertson, a television preacher. Their latest contribution to congressional chaos is an amendment – not expected to pass – requiring a 90-day delay in the proceedings so a panel of experts can study the sovereignty concerns.

The administration had nursed the hope that the Gatt legislation could be got out of the way next month to make way for the really difficult task – healthcare. First, it will need the effective intervention of President Clinton, who sinking in the polls, badly needs a new victory.

US business lobbies over anti-dumping

By Nancy Dunne in Washington

A coalition of 50 business organisations is lobbying Congress to modify what they term 24 "highly protectionist violations" of the Uruguay Round agreement contained in the Clinton Administration proposals to rewrite the anti-dumping and countervailing duty laws. With US companies a target of such regimes in other countries, the concern is that any violation of the spirit of the pact will be copied by foreign governments.

Clinton Administration officials insist that they have been faithful to the spirit as well as the language of the Round when they translated the agreement into implementing legislation. They are defending their view in both House and Senate committees where the legislation is being scrutinised.

The coalition – which embraces the Pro Trade Group, the Computer and Communications Industry Association and other exporters – accuses the administration of "chipping away at gains made in the Uruguay Round by slanting nearly every change to the statute in a manner that is beneficial to those who initiate dumping complaints."

Privately trade lawyers worry about some proposals which they say continue excessive and time-consuming procedural requirements. They say the changes increase the likelihood of guilty findings and artificially inflate the level of duties to be imposed.

Although the new anti-dumping and countervailing duty codes require reforms, individual governments still have flexibility in their regulations. New provisions, for example, agreed at the Gatt would ease the burden on companies under investigation which often find it a burden to comply with requests for information and find themselves penalised with duties.

Both importers and exporters are urging the Administration to closely monitor the compliance of foreign anti-dumping proceedings with the new Gatt rule. They want the US trade representative to prepare an annual report on all anti-dumping actions taken against US exports.

India and US sign series of energy agreements

By Shiraz Sidhva in New Delhi

India and the US yesterday signed a series of agreements to establish long-term technical co-operation programmes in the fields of power generation and sustainable energy development.

Eleven new private sector ventures between Indian and American companies to build energy projects in India were also signed.

The agreements result from a nine-day visit to New Delhi by Ms Hazel O'Leary, the US secretary of energy, who led 40 US companies on the first cabinet level visit to India in 20 years.

Ms O'Leary's mission follows closely on the heels of Indian prime minister PV Narasimha Rao's visit to Washington, a visit hailed by both sides as the "beginning of a new era" of trade and diplomatic relations between the two countries.

On the commercial side, the visit resulted in agreements between Solec International of California and Pentafour Solec Technology of India for low-cost photo-voltaic technology, Spectrum Technologies, USA, Elgin National Industries and Spectrum Washeries India, and Jaya Foods to apply advanced US coal-washing technologies to India's high-ash coals, targeting a \$1bn coal washing market.

The US will also assist India in the oil and natural gas sector, in the fields of advanced exploration, production, and upgrading technology transfer.

The World Bank and several other donors have urged India to accelerate its infrastructural development to enable the success of its reform programme.

Taiwan resists demands to lift capital controls

By Laura Tyson in Taipei

Taiwan has balked at US demands that it lift controls on capital movement and foreign investment in the domestic stock market as a condition for the island's entry to the General Agreement on Tariffs and Trade.

Mr Liang Kuo-shu, governor of the country's Central Bank of China, was quoted yesterday as saying that to do so would be to allow the US to dictate Taiwan's monetary policy. Because Taiwan is not a member of the International Monetary Fund, it is required to sign a special exchange pact in order to join Gatt.

But Taiwan views some of the terms of a financial services agreement which it must sign with the US to gain US support for the Gatt bid as "unreasonable", the Chinese-language Economic Daily News reported. Taiwan officials were in Washington last week to discuss the agreement, but refused to concede to US demands.

Taiwan is widening market access to foreign banks to enhance its Gatt application and further its professed aim of becoming a regional financial centre, according to Mr Liang, who took up his post last month.

Soon, non-resident foreigners will be allowed to open local-currency bank accounts. Rules limiting foreign banks from accepting more than 15 times their capital in deposits will be relaxed or abolished. And restrictions on the number and location of branches foreign banks may open are to be eased. "We're not allowing foreign banks to do everything, but we are making it easier for them to get a licence and open offshore banking units," Mr Liang said.

NEWS: THE AMERICAS

Ground shakes under homeowners

An insurance policy crisis is forcing US authorities to act, reports Richard Waters

A swelling insurance crisis in California, following the Northridge earthquake earlier this year, is forcing US authorities to reconsider how they should deal with natural calamities.

Tomorrow Mr John Garamendi, California's insurance commissioner, will host a meeting to try to find a way around the decision by big US insurance companies to stop selling new policies to Californian homeowners.

Over the past two months, Farmers, a subsidiary of the UK's BAT Industries, and Allstate, another big US insurer, have stopped selling new homeowners insurance in the state, though they are renewing existing policies. State Farm stopped adding to its Californian risks a year ago, after its losses of \$3.4bn (£2.2bn) on Hurricane Andrew made the company rethink its exposure to natural disasters. It was also the biggest loser in Northridge, with a liability of \$1.3bn.

The insurance crisis has taken six months to develop. At first, insured losses from the ground-shaker in southern California were put at no more than \$2.5bn, although that would still have made it the US's third most expensive insurable event, after hurricanes Andrew, which cost \$15.5bn and Hugo (\$4.2bn). Estimates have since soared: to at least \$5.5bn, according to an industry group, and possibly to \$7bn or more, according to unofficial estimates.

One insurance company, 20th Century, nearly folded under the losses and was ordered by state regulators to cut its exposure to future losses as part of a recapitalisation plan in April. That put pressure on others to take up the slack, leading to a domino effect in which, one by one, all big insurers have stopped writing new policies. Allstate was the last to move, a fortnight ago. "We could not afford to be the only game in town," said Mr Jerry Choate, president of the company's property and casualty business.

Mr Garamendi has taken steps to ensure Californians are not left uninsured. He extended the "Fair" plan – adopted to cover the uninsurable risks of wildfires which tore through southern California last autumn – to cover earthquake exposure as well. This scheme offers cover to anyone who cannot get it elsewhere.

He has also called on state governor Pete Wilson to stop insurers withdrawing from California, something Florida was forced to do last year after Hurricane Andrew saw insurers halt sales of new cover to property owners in the state. Florida has since put a limit of 5 per cent a year on the proportion of policy holders that an insurer can shed each year.

In front of Mr Garamendi tomorrow will be the insurance industry's own plan. This would involve putting earthquake risks into a separate "pool", to be financed jointly by the insurers. Under one version, only new earthquake risks would go into this pot, leaving individual insurers with their existing exposure; an alternative would lead to all earthquake risk being pooled.

Californian homeowners (only one in four of whom choose to buy earthquake cover, which must under state law be offered to all policyholders) pay around \$350m a year in earthquake premiums. That could rise to \$650m as a result of Northridge, says Mr Robert Pike, general counsel of Allstate: he bases the figure on the rise in premiums Mr Garamendi has instituted in the Fair plan to cover earthquake risk.

The problem for the commissioner is that the industry's proposal could leave state taxpayers picking up the tab from a big disaster. If another earthquake struck before the insurance pool had built up its reserves, the pool would borrow against future premiums. That could raise up to five times its reserves at the time, estimates Mr Pike at Allstate. Losses above that would be met by a \$1bn levy on insurance companies.

That might be enough for a Northridge-style earthquake. But what about the proverbial "Big One" that every Californian fears? The same problem exists for Florida's catastrophe fund, which has the power to borrow only \$2bn.

Two years ago, Mr Garamendi was forced to cancel a state earthquake compensation fund which would have paid up to \$15,000 to each homeowner when it became clear that the state taxpayer could be left footing the bill from a large disaster. The Californian administration only last week completed another traumatic annual budget round, in the process borrowing \$4bn from international banks, and does not want an open-ended earthquake liability.

Until Andrew, insurers had not contemplated a multi-billion dollar disaster. Now they talk of the \$50bn incident which could wipe out a large part of the capital of the US property and casualty insurance industry.

The final answer, say insurers and state authorities, rests with lawmakers in Washington. The Natural Disaster Protection Act, or earlier versions of it, has sat before Congress for some time. Like the proposed California scheme, it would cap the insurance industry's exposure. But there is little sign federal taxpayers will be any keener than state ones to pick up the rest of the tab.

Derivatives bill put to House

By Richard Waters in New York

A bill to give the US Securities and Exchange Commission greater powers to regulate the derivatives industry was introduced yesterday by Mr Edward Markey, chairman of the House of Representatives subcommittee on telecommunications and finance.

The bill, which would extend SEC oversight to many dealers not now regulated, follows a call from the General Accounting Office of Congress two months ago for greater control of the derivatives markets. The rapid growth of these financial instruments, and the concentration of trading in the hands of a few companies, has increased the risk of a meltdown in financial markets, the GAO warned.

The Markey bill runs counter to the more consensual approach to regulation of derivatives preferred by Mr Arthur Levitt, SEC chairman. He recently started talks with various securities companies on voluntary regulation of their derivatives activities.

Wall Street's traditional broking and dealing activities come under the SEC, but most securities firms have set up separate subsidiaries to trade in the specialised derivatives markets, putting them outside the SEC's regulatory net.

The bill introduced yesterday would require all unregulated dealers, such as those owned by securities firms and insurance companies, to register with the SEC, and give the regulators power to set capital standards for dealers.

It would also set rules for the sales practices of derivatives firms, including a requirement for them to assess the suitability of instruments for particular customers.

The Markey bill follows legislation proposed by the House banking committee, which would cover the derivatives activities of commercial banks.

WORLD CUP

Mr Atlantic helps soccer fans find the groove

Ahmet Ertegun says Major League Soccer will succeed in the US, writes Patrick Harverson from New York

On the shelves behind Ahmet Ertegun's desk sit dozens of framed photographs of the sort you might expect to see in the Manhattan office of Atlantic Records' co-founder and chairman. There is a picture of Ertegun with Quincy Jones, the legendary record producer, and one of Ertegun arm-in-arm with Mick Jagger.

Yet on the top shelf is a prominently displayed picture that has no connection with the worlds of rhythm and blues, jazz and soul in which Ertegun has spent most of his working life.

It is a photograph of Ertegun holding a cumbersome gold statuette instantly recognisable as the centrepiece of international sport's crown jewels – the World Cup trophy. In the picture, Ertegun is sporting the awed, slightly sheepish grin that any soccer fan might wear in the circumstances. But Ertegun is no ordinary soccer fan. He is a member of the World Cup 1994 organising committee.

Ertegun, who is 70, earned his place on the committee for his efforts over the past 25 years in helping the roots of soccer grow in a seemingly infertile land. During the early 1970s, he and his late brother Nesuhi persuaded Warner Communications to provide the financial backing for a New York team – the Cosmos – to play in the North American Soccer League.

For a few glorious years, the Erteguns, with the help of Pelé, Franz Beckenbauer and other soccer greats, put the Cosmos and the NASL on to the American sports map, where it stayed until excessive spending and insufficient revenues plunged the league into bankruptcy and failure a decade ago.

In spite of the unhappy ending, Ertegun remembers the days of the Cosmos fondly. He recounts a story about Beckenbauer's astonishment at finding himself dribbling the ball towards goal in his Cosmos debut while an announcer carefully explained the rules of the game to the crowd over the loudspeaker.

But Ertegun is too busy enjoying this World Cup to dwell on the past. As someone who was always confident that the tournament would be a success, he is especially delighted with the large numbers of Americans who have attended the games. He says the television pictures which have shown stadiums filled with colourful, partisan fans following their national teams have not told the full story.

"It always looks as if there are more foreigners than Americans, but there aren't. The foreigners are very visible, and very audible. You know: *'Ooh, aah, Paul McGrath. Ooh, aah, Paul McGrath.'* Right? You hear that."

Yet, he says, referring to a popular US player, "there's no *'Ooh, aah, Alexi Lalas. Ooh, aah, Alexi Lalas'*." Ertegun's point is that traditional soccer countries may not know it, but Americans have embraced the World Cup wholeheartedly – but not noisily.

He also remarks on how soccer in the US has been attracting a different kind of fan. "I learned this from the Cosmos – soccer in America is a family sport. In Europe men go to see soccer, and they sometimes take their sons, if they're old enough. Here the whole family goes. They have picnics in the parking lot. The Americans view it as a nice day out."

But can a top-level US professional soccer league be founded on the enthusiasm of fans who view the game as a nice day out? Remember that Fifa, soccer's governing body, awarded the World Cup to the US in the hope that the interest generated would provide the basis for establishing a fully-fledged soccer league, one that would last longer than the ill-fated NASL.

Ertegun is realistic about whether the World Cup legacy will sustain Major League Soccer, the new league planned for next year. "The fact that it's a world event has attracted a lot of attention [to the World Cup]. Now, when we have a professional league next year, I'm not sure that a game between Tulsa and Buffalo will attract many viewers. It's a thing we've got to build again from the ground up."

That takes time, perhaps more time than Fifa or some soccer boosterists in the US have to spare. "It took ice hockey some 30 to 40 years to make the impact it has so far. It could take us 20 years to really build [soccer] up into a top game in America," says Ertegun.

Will Americans – or Fifa – wait that long? Ertegun thinks so. "Soccer has been played here since 1900. We've had the patience to stay with it so far." The key, he says, lies in ensuring that the new league is competitive, with no single team dominating the others, as happened with the Cosmos.

And he believes that the best American players should be allowed to play abroad, because it is only in the big European leagues that they can earn the kind of money which will start enticing young athletes away from mainstream American sports and into soccer.

It can happen, Ertegun believes, because of soccer's universal appeal. "You don't have to be 7ft tall, as in basketball, or weigh 250lb, as in American football. It's a game everyone can play. But the great athletes are drawn to the games where they can make the most money. If some of our players playing abroad start to make a million bucks a year, we may see a lot of kids from the inner city hone their talents.

"Maybe we'll have some of those young men who can run 100m in under 10 seconds learn how to do the same with a ball between their feet. When that happens, we could have the world's greatest team."

Ahmet Ertegun: Atlantic Records' co-founder is no ordinary fan

Brazil's 'twins' stress team-work

Ahead of yesterday's World Cup semi-final against Sweden in Los Angeles, Brazilian strikers Romário and Bebeto admitted they were unimpressed with Brazil's showing to date.

"Technically, we haven't shown soccer of great quality," said Romário. "We're making up for it with strength and team-work. Individually, we have the obligation to play better."

US defender Alexi Lalas, out-gunned by Bebeto in Brazil's 1-0 second-round victory, said the South American team were "dribbling maniacs" who hurtled at opponents at 100mph.

Yet Brazil's brightest stars are under-whelmed with their team's showing. "We're not playing that 'show soccer' people expected," Romário said. "We're playing a modern and efficient soccer."

Bebeto added: "What matters is the end result. It's useless to play pretty and lose. Maybe it's not great soccer, but it's practical."

Brazil knew bitter disappointment in the last five World Cups. They were always among the favourites but somehow failed to win, often through over-confidence or theatrics – known in Brazil as "playing in high heels."

Coach Carlos Alberto Parreira has been criticised for implanting a scrappy style and causing the demise of Brazil's art-house soccer.

But Romário defends him: "We haven't yet been able to admire Parreira's work. But we should be grateful for what he's done. Someone like me wouldn't put up with the things he's had to take."

Arguably, Parreira's greatest feat has been to maintain harmony among a cast of prickly characters. And some observers say he has added desire, spirit and awareness to the Brazilian line-up.

"For many years, people said Brazil's yellow jersey was very pretty but had no heart inside," said Romário. "After this World Cup, I think they'll say it's a pretty jersey with 11 hearts inside."

■ Third-Place Play-Off

Saturday

Los Angeles, 8.30pm BST

■ Final

Sunday, July 17

Los Angeles 8.30pm

Tassotti's eight-game ban 'excessive', says Spaniard

Luis Enrique, the Spanish forward whose nose was smashed by Italy's Mauro Tassotti during the World Cup quarter-final last weekend, yesterday criticised the eight-match ban Tassotti subsequently received.

Enrique called the punishment "excessive" and said he would have been satisfied with an apology from Tassotti.

Fifa, soccer's governing body, imposed only a four-game suspension on Brazilian defender Leonardo for elbowing American Tab Ramos in the face during a second-round match, even though Ramos suffered a fractured skull.

Tassotti's suspension, one of the heaviest in World Cup history, was also criticised by Italian newspapers. The Corriere della Sera called it "a mad decision by the Fifa mafia" while La Voce chipped in: "This ugly mess over Tassotti has shaken the national team, in a World Cup ruined by the mad omnipotence of [Fifa general-secretary Sepp] Blatter."

Fifa used video evidence for the first time to decide Tassotti's punishment. Earlier, Blatter had refused to study such evidence to examine the sending-off of Italian striker Gianfranco Zola.

Spanish newspapers viewed the ban on Tassotti as compensation for Spain's elimination from the finals.

The Italian soccer federation has said it will appeal against the ban, which could end the 34-year-old Tassotti's international career.

Signori upset at being left out of semi-final

Italy's Giuseppe Signori was simmering yesterday after being dropped from the starting line-up for the semi-final against Bulgaria.

"I can't tell you how I feel," he said. "I must think it over ... I'm not happy."

Signori was dropped to make room for mid-fielder Roberto Donadoni. The leading scorer for the last two seasons in the Italian league, Signori was sent on as a second-half substitute in the quarter-final against Spain and set up the winning goal by Roberto Baggio with two minutes left.

"It was a painful but unavoidable choice," coach Arrigo Sacchi said. "I picked the players who could do better at mid-field."

Stoichkov chases seven-goal mark

Prio to yesterday's semi-finals, Bulgarian star Hristo Stoichkov needed two more goals to hit the seven-goal barrier at the World Cup, a mark that has not been reached in 20 years.

He was the only player left in the tournament with five goals. In contention with four apiece were Sweden's Kennet Andersson and Martin Dahlin, and Brazil's Romário. Russia's Oleg Salenko is the leading scorer with six goals, a record five coming against Cameroon.

Grzegorz Lato of Poland scored seven goals during the 1974 World Cup. Just Fontaine of France holds the record: 13 goals in the 1958 tournament.

Goals bring joy to weary people

In Brazil as elsewhere, the weary people need a glimpse of happiness. Goals give them that. Recent research has shown that factory workers are much more productive the day after a Brazilian victory. Should Brazil win the World Cup, the country will close for at least one day of celebration. If it loses, experts say, there will be an increase in suicides.

Brazilian players do not consider this a burden. They are protected by their cockiness – so long as they do not lose. After Brazil's 3-2 quarter-final win against Holland, Romario told reporters: "You witnessed art today," while Brazil manager Carlos Alberto Parreira said: "The last 34 minutes provided some of the most exciting, dramatic moments of the World Cup."

'Dear Leader' takes complete power in N Korea

Radio broadcasts from Pyongyang indicated yesterday that Mr Kim Jong-il had assumed complete political power in North Korea following the death of his father, President Kim Il-sung, Our Seoul and Beijing Correspondents report.

Mr Kim, the country's "Dear Leader", has been raised "to the *highest position of the (ruling Korean Workers') party,* the state and the revolutionary armed forces," the state-controlled Radio Pyongyang said. The statement suggests Mr Kim now occupies the three key posts in the country, including *general secretary of the party* and president, in addition to his current role *as supreme commander* of the armed forces.

But the radio broadcast did not mention the official titles of these positions, indicating Mr Kim would not formally be named to them until next week after his father's funeral on Sunday.

In Beijing Mr Li Peng, the Chinese premier, on his return from a central European tour hailed Mr Kim Jong-il as North Korea's "new leader". Mr Li led other Chinese leaders to the North Korean embassy where they bowed to a large portrait of the late leader and wrote condolence messages.

According to China's official Xinhua news agency, *Mr Li* then asked the ambassador, Mr Chu Chang Jun, "to convey his regards and respects to the Democratic People's Republic of Korea's new leader, Kim Jong-il". The ambassador replied that under the leadership of Mr Kim Jong-il, *the Korean people would turn grief* into strength.

Radio Pyongyang announced that North Korea would hold preparatory talks with the US in New York next week on resuming their negotiations on the international inspections of the North's nuclear facilities. The discussions, begun in Geneva last Friday, were suspended after President Kim's death.

Kim's challenge is to save his nation from collapse

Pyongyang's economy is caught in a seemingly endless downward spiral, **John Burton** reports

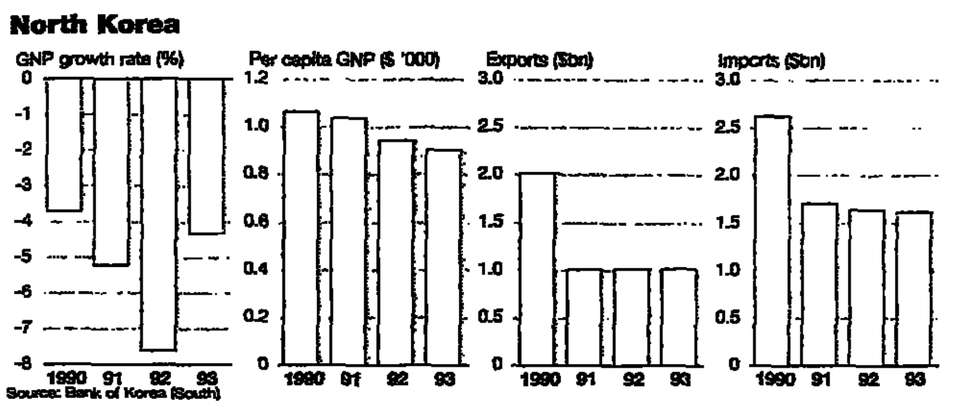
The principal challenge confronting Mr Kim Jong-il, the new leader of North Korea, is whether he can reverse the country's economic decline and save it from possible collapse.

The North Korean economy is caught in a downward spiral, with gross national product having shrunk at an average annual rate of 5.2 per cent during the past four years.

The immediate problems have been caused by the collapse of the Soviet bloc, which ended a barter-trade system that supplied Pyongyang with cheap and vital oil imports.

The resulting energy shortage has caused factories to work at half their capacity or less.

The problems have been compounded by food shortages caused by four years of poor harvests. Bad weather and the backward agricultural system in a mostly mountainous country have been blamed for an estimated 40 per cent shortfall in grain supplies needed to feed the 22m North Koreans.



Source: Bank of Korea (South)

The economy has also been undermined by more fundamental flaws, including a highly centralised and inefficient planning system, a large heavy-industrial sector working with outdated equipment, and a huge diversion of resources to support one of the largest military forces in the world.

The country's governing *juche* (self-reliance) ideology and its attempt to create a self-sufficient economy is another main cause of the decline. Trade accounts for 13 per cent of North Korea's GNP of $20.5bn (£13bn), an exceedingly low ratio by international standards.

The adverse developments represent a potential political threat to the North Korean government, since the poor economic condition may eventually provoke a popular uprising.

In an unprecedented admission last December, the government acknowledged the country's economic woes and signalled an important policy shift by downgrading the role of heavy industry.

Instead, increased emphasis was placed on agriculture, the growth of light industry to supply more consumer goods, and the development of export industries that could provide North Korea with badly needed hard currency to buy oil and food supplies from abroad.

Some analysts believe Mr Kim Jong-il was behind the changes. "Although Kim Jong-il has not made any public pronouncements on economic reforms, the people who *surround him are primarily* technocrats who want a change in economic policy," one western diplomat said.

The key element in a future North Korean economic strategy is to attract foreign investment which would support new plant facilities that could produce goods for export.

North Korea is already taking part in a project sponsored by the UN Development Program to develop a free-trade and investment zone around the cities of Rajin and Sonbong in north-eastern North Korea. Other free economic zones are being proposed for the port of *Nampo near Pyongyang and* Sinuiju on the border with China.

The country over the past year has also revised its foreign investment laws, basing them on Chinese practices, to attract foreign capital and technology. But political considerations will probably limit the opening of North Korea to foreign investment, which raises doubts about the effectiveness of the proposed reforms in saving the economy.

Officials in Pyongyang worry *that an extensive opening of* the country will undermine the government as the population becomes exposed to outside *influences.*

Mr Kim Il-sung, the late president and father of Mr Kim Jong-il, summed up the dilemma that foreign investment poses for North Korea: "We must open the window to let the wind in, but not the mosquitoes".

In an attempt to retain control, the proposed free economic zones are mainly located in sparsely populated regions.

This may prove to be a disincentive to foreign investors. *Samsung, the South Korean* conglomerate, recently dropped plans to help finance a railway connecting the Rajin-Sonbong region with China because it regarded the area as being too isolated.

Foreigners are also concerned about how well their investments will be protected: North Korea has shown little inclination to repay $1.6bn to foreign banks on loans it borrowed in the 1970s.

But South Korea's main business groups at least are eager *to set up factories in* North Korea, to take advantage of a cheap, disciplined and Korean-speaking labour force.

Initial investments would focus on production of textiles and electronic goods, but activity could eventually expand to the operation of heavy-industry plants such as steel, and the construction of ports and other infrastructure projects.

Seoul has so far blocked business ties with the North because of the continuing dispute over Pyongyang's nuclear programme. But if the issue is resolved, South Korean investment is expected to receive the *active backing of the government.*

Seoul wants to prevent a sudden economic collapse of *the North, which could trigger* a costly and rapid reunification of the two Koreas. Instead, it hopes to promote the gradual upgrading of the North's industrial structure, which would reduce reconstruction costs in the future once the countries are united.

Murayama backs overhaul of Japanese defence policy

By William Dawkins in Tokyo

Mr Tomiichi Murayama, Japan's new socialist prime minister, yesterday pledged his backing for the first overhaul of defence policy for 18 years.

The defence review, by an independent panel set up in February and due to conclude its work next month, is expected to propose heavy cuts in *the number of ground forces* but at the same time prepare for fast responses to regional crises and increased spending on defence electronics.

Japan is one of the last leading industrialised countries to adjust its defence guidelines to the end of the Cold War, a reflection of a taboo on defence debate, linked to the pacifist *constitution.*

Panel officials are understood to lean towards reducing the number of ground troops from the present 150,000 to between 100,000 and 130,000, which is likely to win support *from Mr Murayama's pacificist* Social Democratic party.

But the SDP may find it harder to accept the panel's proposal, in a draft report yesterday, that the military should establish an organisation to oversee Japanese contributions to United Nations peacekeeping. Mr Murayama hinted at his own reservations *over UN peacekeeping* by responding cooly to the German constitutional court's decision, the previous day, to permit German troops to take part in UN operations. "Each country has its own situation," he said.

The draft plan also aims to prepare Japan to defend itself against several regional *threats, such as North Korea,* and to support the US presence in east Asia. The draft report calls for co-operation with the US on anti-missile systems, a response to Washington's calls for Tokyo's participation in its *theatre missile defence programme,* designed with North Korea in mind.

The existing 1976 defence programme, on which equipment procurement is still based, says Japan must prepare to defend itself, with US help, against a single large security threat, the former Soviet Union.

It is clearly out of line with present threats.

The government wants to adopt the new guidelines before it prepares next year's budget. It has already started to squeeze military spending, up a mere 0.8 per cent this year, the smallest rise in 34 years.

Mr Murayama's moderate *stance reflects the dominance* of the conservative Liberal Democratic party in his three-party coalition. Officially, his own *SDP* believes Japan's military self-defence force is unconstitutional and that the *US-Japan defence treaty, which* allows US forces in Japan, should be revoked.

In another indication of the moderating influence of his dependence on the LDP, Mr Murayama yesterday withdrew his ban on official ministerial visits to the Yasukuni shrine to Japanese war dead. Four LDP cabinet members wish to *visit the shrine on August 15,* the 49th anniversary of the end of the second world war.

However, Mr Murayama has found scope to express his party's instincts, by sending an effusive telegram of condolence over President Kim Il-sung's death to the North Korean authorities.

Mr Murayama said he was *acting as SDP leader, rather* than prime minister, but was reminded by some cabinet members that Japan was supposed to have no diplomatic relations with North Korea.

Beijing official for Taipei

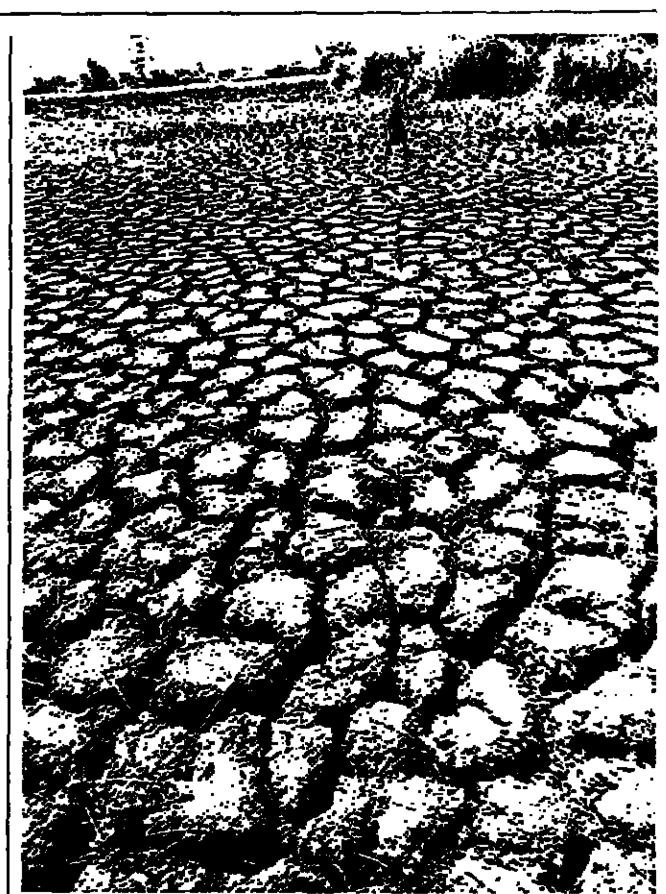
By Laura Tyson in Taipei

China is to despatch its chief *Taiwan negotiator to Taipei* later this month, making him the most senior mainland official to set foot on the island since the two parts of China split in 1949.

In an apparent easing in cross-strait ties, Taipei and Beijing have agreed to resume talks over fishing disputes and repatriation of illegal immi*grants and airline hijackers.*

Mr Chiao Jen-ho, Taiwan's chief China negotiator, yesterday welcomed the planned July 27 visit to Taipei by his Beijing counterpart, Mr Tang Shubei, who notified Taipei late on Tuesday of his intention to accept its invitation.

The news came as China responded to a recent Taiwanese white paper, by saying Beijing "firmly opposed" any moves "detrimental to China's territorial sovereignty and the cause of peaceful reunification".


A farmer walks his parched paddy beds in east Java. A drought has ruined much of Indonesia's rice harvest Reuter

EU in danger of losing out on Asian economic miracle

By Lionel Barber in Brussels

The European Union risks losing out on the "economic miracle" taking place in Asia unless it strengthens political ties and boosts *investment in the region, according* to a European Commission policy paper.

The document agreed in Brussels yesterday calls for a radical rethink of EU strategy toward Asia, which it treats as a coherent economic region encompassing Japan, China, and East Asia. By the end of the *century, the paper notes that 1bn* Asians will have significant consumer spending power, with 400m having average disposable *incomes at least as high as* Europeans or Americans.

Mr Jacques Delors, president of the European Commission, drove home the increasing importance of Asia during last weekend's Group of Seven summit in Naples. By the year 2010, the G7's share of global output would fall from 75 per cent *to 50 per cent, he predicted.*

The German presidency of the EU encouraged the Commission to produce a paper on Asia as a means *of increasing awareness of the* region's economic importance and making the Union more outward-looking.

The paper lists several priorities for action:

- A wider political dialogue to extend the coverage of the UN conventional arms register and the *Nuclear Non-Proliferation treaty.* Deeper co-operation on controls of sensitive technology, and "strengthening the policy of encouraging *the* improvement of human rights".
- Raising Europe's profile in Asia, through more education visits and training programmes, cultural exchange and twinning cities: "The EU needs to make a far greater effort to explain its policies," says.
- Strengthening Europe's economic *presence, by lobbying more* forcefully for the removal of laws restricting trade and investment, as well as the discriminatory use of *intellectual property rights,* standards and testing.

The paper also calls for more joint ventures between European and Asian companies; extending scientific co-operation, opening up "European Business Councils" in China, Indochina and Pakistan; and following up the EU's "market *transition programme" in Vietnam* with other moves to offer policy advice to former command economies now embarked on economic reform.

The EU is now the second biggest market for exports from developing Asian countries after the US. It absorbed Ecu128bn (£101bn), or 27 per cent of their total exports, in 1993.

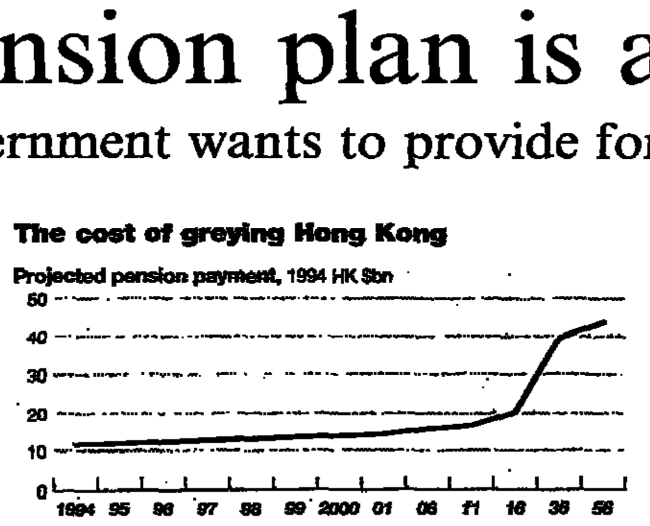
HK pension plan is aimed at a maturing society

Colony's government wants to provide for growing number of over-65s, writes **Simon Holberton**

The words "welfare state" and "Hong Kong" have always seemed to be at odds, given the colony's free-wheeling capitalist image. But when on Tuesday the govern*ment outlined plans for a com*prehensive old-age pension scheme, some in the colony began to wonder whether a society whose state provisions had always stopped at the basics of housing, health and education was now about to be taken a benefit too far.

The consultation paper issued for comment drew a *strongly negative* response from business leaders and their representatives in the colony's Legislative Council (LegCo), which may eventually be called on to turn the proposal into law. China, which would have to approve any scheme through the Joint Liaison Group before the government can proceed, gave conflicting *signals.*

Hong Kong's aged residents currently rely on a fragmentary system of old age allowances and invalidity benefits.



Source: Hong Kong government

The scheme would provide those over 65 years of age with a pension of HK$2,300 (£193) a month, index-linked to the rate of inflation. In all, 3 per cent of Hong Kong's annual wage bill will be collected and transferred to a specially established fund that will be isolated so that all of it would be dedicated to pension payments and administration of the scheme.

Employees would *contribute* 1.5 per cent of their pre-tax income and employers would make a matching contribution. *The pension would be means*tested at first – to exclude those with assets, other than the family home, in excess of HK$2m – but after 10 years would become a universal benefit. All employees would make contributions from the outset.

The government's defence of its initiative – which will be subject to a three-month consultation exercise – is that Hong Kong is becoming a mature economy and that there is growing community *pressure for a state pension.* People over the age of 65 will double as a percentage of Hong Kong's population to 18.5 per cent by 2056.

"There is a need to fund a growing number of poor, old people in Hong Kong, especially with the decline of the extended family in recent years," said one official. "It will not be up and running for 18 months to two years so we will have to consult closely with China; they will have to *administer it.*"

Wen Wei Po, a pro-Beijing newspaper in Hong Kong, yesterday delivered a blistering *attack on the plans. Having* done nothing about pensions for 150 years, Britain had "suddenly raised such a ridiculous and imaginary idea" just three years away from the 1997 transfer of sovereignty, the paper commented.

It was unclear, however, if this represented Beijing's authoritative response to the plan. Mr Tam Yiu-chung, a leading pro-Beijing politician in LegCo, said he supported the plan, which was made *available to Beijing officials* last week.

Unions also lent their support to the plans. The pro-business Liberal party said it opposed the scheme in principle, but hedged its position until it had "consulted" more widely. The immediate reaction from businessmen was to warn that employers were likely to recoup the costs of contributions through higher prices.

The pension would be paid *only to those who are perma*nent residents of Hong Kong; yet contributions will have to be paid by all who work in the colony, including expatriates..

The provision of a state pension has always been opposed by the colony's strongly pro-business élites which have seen it as symbolising creeping "welfare-ism". Although more than 50 per cent of Hong Kong's population lives in public housing and enjoys subsidised health care and free schooling, there is no provision for unemployment benefit, and other forms of income support are primitive.

In the mid-1980s a proposal for a Singapore-style, compulsory savings central provident fund (CPF) was killed off, with prominent businessmen siding with the government. It resurfaced two years ago when China and *leading Hong Kong* business figures united to push the idea. Beijing is very keen on the CPF, to which it attributes much of Singapore's economic success, and plans to experiment with one in Shanghai.

The Hong Kong government, however, rejected a CPF and a mandatory privately-run retirement scheme because both would take too long to produce returns to contributors. By contrast, the pension scheme now being proposed would be operational from day one by virtue of a HK$15bn contribution from the government.

The proposed pension would be index-linked to inflation rather than earnings. The government estimates that in 2056 *earnings related indexation* would be HK$145.5bn (in 1994 prices) more than inflation-related.

The government has rejected suggestions that the introduction of a pension would be the beginning of a first-world type welfare state in Hong Kong. It said that under its scheme, pension payments would *amount to about* 1.5 per cent of gross domestic product, compared with an average of 15 per cent of GDP for total welfare payments in west European countries.

Signs of change in Golan deadlock

James Whittington reports from Kuneitra, Syria

The back garden of the Burgh al-Kuneitra restaurant in Syria is a *minefield which marks the* 1974 ceasefire line with Israel. The terrace offers a panoramic view of the Israeli-occupied Golan Heights, with lush green fields, neat rows of cherry trees and high-tech surveillance posts.

The front entrance opens into the ghost town of "liberated" Kuneitra, once home to more than 50,000 Syrians but now abandoned and in ruins.

While Jordan and the Palestinians are pushing towards *peace with Israel, the future of* the Golan Heights bedevils talks between Israel and Syria. Damascus demands a complete *Israeli pullout from the plateau* while Israel talks about withdrawal.

No big breakthrough is expected during a visit to the region this weekend by Mr Warren Christopher, US secretary of state. But most Syrians believe a peace deal is inevitable. Signs are there that President Hafez al-Assad is preparing for such an eventuality.

Nearly 80 per cent of the Golan Heights was captured by Israel in the Six-Day War of 1967. Six years later, in the *October War of 1973,* Syria tried to win it back but failed when Israeli forces pushed Syrian troops to the edge of Damascus. A ceasefire line was negotiated by Dr Henry Kissinger, then US secretary of state, whose shuttle diplomacy entailed 43 visits to Damascus in less than eight months.

In June 1974, most of the newly-occupied land was returned, plus around 300 sq km of territory lost in the 1967 war, including "liberated" Kuneitra and its restaurant.

Since then, there has been deadlock. The Israelis have built 40 settlements on the plateau which are home to about 15,000 settlers. They cultivated the fertile soil and set up lis*tening posts in the hills.* In 1981 the Knesset, Israel's parliament, formally approved annexation of the area.

Syria left most of the Golan left to it as it was at the end of the war. Some 400,000 displaced Syrians got temporary housing in and around Damascus. President Assad proceeded to shape nearly all his foreign *and domestic policies around* the goal of achieving full return of the Golan Heights.

So far, real progress between Syria and Israel has been virtually imperceptible. But serious and detailed negotiations have been going on, primarily through the US administration, with President Bill Clinton's meeting with Mr Assad in Jan*uary and Mr Christopher's* three stops in Damascus this year. This week Syrian officials were saying they have nothing new to offer from their last proposal which demands the following from Israel:

- It must scrap its annexation of the Golan Heights.
- It must recognise Syria's sovereignty over the Golan.
- It must commit itself to a full withdrawal, as required by UN Resolutions 242 and 338.
- There must be equal security arrangements in the area.
- Normalisation of relations must be linked to the speed of the Israeli withdrawal.

While negotiations continue, President Assad has been quietly making changes in expectation of a peace settlement. A *new road is being built from* Damascus to the Golan. Scores of long-serving governors and party officials have been or are soon to be replaced. A reshuffle has taken place in one of the main pillars of Mr Assad's regime, the armed forces.

New appointees to the civil administration are seen as more liberal and open to peace than their predecessors. But the new generals are hardliners. Much to Britain's dismay the new air force chief Gen Mohammed al-Khouli, is believed to have masterminded the 1986 Nizar Hindawi plot, when Syria allegedly tried to blow up an *Israeli aircraft* at London's Heathrow Airport.

As usual, President Assad is ruling with a two-edged sword. After decades of anti-Israeli propaganda he needs fresh bureaucrats who can work *with a peace settlement.* But at the same time he needs hardline loyalists to maintain discipline in the 450,000-strong armed forces which have the most to lose from peace.

This approach will not be welcomed by Israel or the US, but such is the nature of the president's hold on power.

SFA to monitor derivatives

By Norma Cohen, Investments Correspondent

The Securities and Futures Authority, the self-regulatory body for leading City firms, is monitoring the ability of the largest securities houses to assess the risks they take on with complex derivative products.

In a series of inspection visits, some of the firms, which are largely subsidiaries of the world's largest commercial and investment banks, have been told to alter their risk models and their management structures.

Also, the SFA is insisting that firms whose senior directors do not have a reasonable grasp of the work done by the more junior "rocket scientists" who design complex products to appoint a team which does. The team should report directly to the board, SFA officials said.

In its annual report for the year ended March 31, 1994, the SFA said the switch in strategy follows a review of the way its surveillance division carries out its duties at firms "whose operations cover a wide range of different products and especially over-the-counter and derivative products."

A special surveillance team will monitor the activities of 24 major securities houses and an annual "risk management review" will be conducted. So far, the reviews have been conducted at 12 firms, the annual report said.

The change in strategy is in line with growing concern among securities regulators world-wide about whether firms which sell over-the-counter derivatives understand the risks they are taking on.

In particular, the SFA is looking at the models each firm uses for determining the pricing of complex bespoke derivative products for which there are no screen-based prices. The prices of these products vary widely with market movements and the amount of capital required to be held for each will vary widely depending on how the price is determined.

Regulators fear that inadequate pricing models will leave firms holding too little capital to cover losses in highly volatile trading conditions such as those earlier this year.

Separately, the SFA said its administrative expenses have risen, partly reflecting increased costs of professional services associated with its enforcement duties.

Regulator wins crucial City case

By John Mason and Norma Cohen

A High Court judge yesterday, in a sweeping judgement which will affect regulators all over Britain, ruled that the Securities and Investments Board, the City's chief regulatory watchdog, cannot be sued for damages by private individuals unhappy with its enforcement activities.

The UK courts have never been asked to rule on a point of law about the remedies available to those who feel aggrieved by the way regulators carry out their duties.

Mr David Mayhew, solicitor for Clifford Chance, the SIB's counsel, said the ruling will also buttress the Bank of England, the Monopolies and Mergers Commission and the Office of Fair Trading, among others.

Afterwards, SIB officials expressed considerable satisfaction at the result. One said: "This was about the propriety of the exercise of our powers. We have very strong powers to do things and this case was a test of whether we use them properly".

Mr Justice Lightman threw out the action seeking £7m in damages from the SIB in a case brought by Melton Medes, a trading conglomerate accused of breaching pension fund investment rules.

The plaintiffs had argued that the SIB had disclosed "restricted information" in violation of Section 179 of the Financial Services Act to the pension scheme beneficiaries who are asking the company to restore a similar amount to the scheme.

Had the scheme beneficiaries not obtained the information, they would not have pursued their case against Melton Medes for restitution to the scheme, they argued.

In his ruling, Mr Lightman said that the law clearly states that individuals have no private right of action if they feel aggrieved. The intent of Section 179 is to protect the special interests of informants and "to control in the public interest the use of information acquired rather than to subject SIB, in this respect, to private law actions."

The only remedy open to Melton Medes is to seek a criminal prosecution of the SIB or a judicial review of its conduct.

He denied the plaintiffs request for leave to appeal his ruling and awarded indemnity costs to the SIB.

Ulster Orangemen mark the Battle of the Boyne of July 12, 1690 - the victory of William of Orange over Catholic King James

Shrinking state still proves top heavy

By Philip Stephens, Political Editor

Top government administrators, the legendary 'mandarins' of Whitehall, are up in arms. They have too many ministerial masters.

On the eve of a government policy paper foreshadowing more cuts in administrative jobs, the mandarins are complaining that ministers have exempted themselves entirely from the drive to reduce the size of the state.

A handful of optimists in Whitehall are suggesting Mr John Major might use the forthcoming reshuffle to practice what the government preaches and cut the number of ministerial jobs in the government.

Realists predict the prime minister will be more concerned to maintain the fragile peace amongst the Tory rank-and-file, so patronage will again come before principle.

The Treasury estimates that privatisation and contracting out has cut the size of the government by about a quarter since the start of the Thatcher revolution in 1979.

Civil servants numbers also have dropped 24 per cent from 732,000 to 554,000. Today's paper will forecast another fall to below 500,000 within the next four years.

However, comparison of the official lists show that there were 81 ministers and 21 paid government whips (in charge of internal party discipline) in Mrs Margaret Thatcher's first administration. Now their are 87 ministers and the same number of whips.

If these well-heeled ministers had suffered the same squeeze as their mandarins the number chauffered to and from their plush offices at taxpayer's expense would have fallen sharply to a mere 62. The cost is not borne only by the taxpayer. Superfluous ministers add to the workload of their civil servants.

Nor can these myriad parliamentary under-secretaries, ministers of state, solicitors' general and economic secretaries claim their Westminster workloads have increased. Responses to MPs questions more often than not consist of referrals to the relevant agency or privatised business.

Maxwell action dismissed

By John Mason

A legal action brought by the Maxwell pensioners to claim up to £235m from the administrators of Maxwell Communication Corporation was dismissed by the Court of Appeal.

Three appeal court judges rejected the argument of the liquidators of Bishopsgate Investment Management, the former manager of the Maxwell pension funds, that it had a prior claim to the first £235m of the money raised from the sale of MCC assets.

Price Waterhouse, the administrators of the largest quoted company run by the late Mr Robert Maxwell, have so far raised about £680m from such asset sales.

PW has proposed treating BIM in the same manner as other creditors - by paying dividends raised from the asset sales.

However, BIM had claimed it had a prior claim over the full amount of BIM's pension money wrongly paid to MCC.

The ruling will not enable PW to bring forward its plans to pay interim dividends to creditors since BIM still has other claims outstanding against MCC which have to be settled in the High Court.

The appeal court awarded costs against BIM and refused it leave to appeal to the House of Lords. However, lawyers for the former pension managers said that they still intended to apply for a further hearing.

No peace dividend for the people of Plymouth

Roland Adburgham reports on the plight of a regional sub-economy based on defence and the historic city at its heart

On Plymouth's historic Hoe, overlooking the sea, there is an imposing memorial to the port's servicemen and women, killed in the two world wars. It is inscribed with no fewer than 23,182 names. Today, Plymouth is having to come to terms with the casualties of peace.

The 850 redundancies at the city's Devonport naval dockyard, announced last month, are the most recent consequence of the peace dividend. In the seven years since the consortium DML took over the privatised management of the yard, the workforce had shrunk from 11,400 to 4,350 even before the latest job losses. The euphoria last year of winning the contract to refit Trident submarines has evaporated.

Plymouth has one of the highest concentrations of defence establishments in the country. As well as the dockyard and employers such as British Aerospace, there are 18 military bases in its travel-to-work area. According to Plymouth Business School, defence accounts for more than one in five local jobs.

The city fears any benefits of national recovery are being cancelled out by cutbacks which Mr David Jamieson, Labour MP for Devonport, described as having a "major and devastating effect." It is widely expected that tomorrow's defence review could entail further losses, with the possible relocation of Royal Marines.

Mr Tudor Evans, chair of the city's employment and economic development committee, said: "We already have poverty as intense in some wards as anywhere in the country," he said. In the Plymouth travel-to-work area 17,600 people are unemployed, or 11.6 per cent. In some parts of the city, male unemployment is 25 per cent.

The first years of DML cutbacks saw early retirements and large payoffs. Redundancy costs, met by the taxpayer, averaged £30,000 a person. Mr Peter Whitehouse, DML's business development director, said: "Now the young and those who genuinely want to work will be unemployed and the social and economic impact will be much higher."

Many of the redundancies are among the well-paid and skilled. At the crowded Devonport job centre, nearly all the vacancies are for unskilled or semi-skilled work, often part-time.

The defence dependency, not only of Plymouth but of the counties of Devon and Cornwall, has stimulated a recognition that the sub-regional economy needs to be restructured. A public and private sector partnership, Westcountry Development Corporation, has been set up to help job creation when many traditional industries, like fishing, are also undergoing structural change.

European and government funding is starting to come into the region. Plymouth last year gained European Objective 2 status. It has also been designated an assisted area. But Plymouth Business School calculated that funding to compensate for the loss of defence-related spending had been insignificant.

"Much of it has come very late and it's just too little," said Mr Jamieson. "There is no joined-up thinking between one government department and another. The Ministry of Defence is acting totally unilaterally."

The government has become conscious of its vulnerability in the south-west (last month the Conservatives lost the European parliamentary seat of Cornwall and Plymouth West to the Liberal Democrats).

One action has been to create a development corporation for three of the waterfront military sites in Plymouth. Mr John Collinson, its chief executive, who is seeking a variety of inward investment from leisure to light industry, said: "I am heartened by the interest. Plymouth is probably better known around the world than it is in London. It is about time the city took its rightful place on the stage and I think it will."

Companies such as Toshiba of Japan and Wrigley of the US have plants in the city. To encourage tourism, Plymouth is promoting itself as a "historic waterfront city."

Mr John Mannell, chief executive of Devon & Cornwall training and enterprise council, said: "Plymouth has such natural potential - it is a wonderful place to be. But as it sheds its garrison town image, it is finding it difficult to say what it wants to be in the future."

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MANAGEMENT: MARKETING AND ADVERTISING

The row over food ads directed at children is reminiscent of the tobacco debate, says **Diane Summers**

Sour taste of sweet debate

During one typical week of children's television programmes on Independent Television in the UK last month there were 388 advertisements, well over half of them for food products. Of these commercials, three-quarters were for breakfast cereals (mostly the sugary kind), confectionery, fast food, soft drinks, ice cream and lollies. In 22 hours of children's TV, there was just one ad for fruit.

To the National Food Alliance – a campaigning umbrella group which includes such unlikely bedfellows as the British Dental Association and the National Farmers Union – the figures say it all. On Monday the NFA published the results of a Mori survey which claimed to show that three-quarters of parents think food advertisements do not encourage children to eat healthily. According to the poll, two-thirds of parents want to see tougher restrictions on food ads.

All advertisements for fatty and sugary foods should be banished from programmes that large numbers of children are likely to view, says the group in a submission to the Independent Television Commission, the body which regulates commercial TV.

The Advertising Association, which represents both advertisers and the advertising industry, furiously described the survey as "a superficial and cynical attempt to steer the political debate about the Health of the Nation [the government's white paper on strategy for improving health published in July 1992] on to advertising". Food advertising is not about diet but about individual brands, says the association: "Brand adverts are not tools of social engineering, even if the NFA would like them to be."

The AA sees advertising as once again being made the scapegoat. Many of the arguments, and certainly the level of emotion, are reminiscent of the debate surrounding tobacco advertising.

In turn, the association is launching the results of its own research at a seminar in Cambridge today. Conducted by Leeds University researchers, it concludes: "Rather than families seeing advertising as distorting the pattern of their children's eating, in fact, advertising is perceived as potentially positive in that it may encourage children to try out new foods."

The latest row was sparked by the government in March when it said that its Nutrition Task Force – one of the bodies set up after the Health of the Nation white paper – would be taking an interest in advertising. The ITC and the Advertising Standards Authority, the body which polices printed advertising, were asked to scrutinise their codes of practice in the light of the white paper dietary targets.

These targets include a huge reduction in the consumption of fat. Diet, and in particular fat consumption, is seen as a highly significant factor in the incidence of coronary heart disease and strokes, among the greatest causes of preventable premature death and disability.

The advertising industry was asked to look at how it could "encourage positive use of the advertising message to promote dietary advice consistent with the Health of the Nation". Meanwhile, the ITC and ASA were to "identify any desirable changes" to advertising codes, paying particular regard to advertising to children.

The ITC already applies some rules in the area: TV ads must not, for example, encourage children to eat frequently throughout the day, or to consume food or drink, especially sweet, sticky foods, near bedtime. Advertisements for confectionery or snack foods must not suggest they are substitutes for a balanced meal, and there are also restrictions on health claims that manufacturers are allowed to make. The ASA applies a similar code.

The NFA wants these codes strengthened to the point where ads for sweets and many snack foods would be banned from children's programmes and the 9pm "watershed" would be applied to ads for fatty or sugary food featuring, for example, cartoon characters or toys.

The group points to the tougher restrictions applied in some other countries. For example, Canada, Sweden and the Flanders regional government in Belgium ban advertising to children during children's programmes. France bans use of children in food ads. Ads for sweets in the Netherlands, allowed after 8pm, feature a toothbrush logo to remind children to brush their teeth although, says the NFA, "the effectiveness of this has been questioned not just from a dental health perspective but from the apparent endorsement such logos give to confectionery products".

The AA replies that "the effects of advertising are badly misunderstood. Advertising restrictions will not improve the nation's health". In its response to the government's Nutrition Task Force, it says: "A strategy for improved health is best addressed by a targeted programme of public eduction, encouraged by public authorities and supported by food manufacturers and retailers."

The AA's research from Leeds University certainly highlights the extent to which public education is still needed if government targets are to be met. One of the most startling findings is that "nutrition" appears to be about the least important factor when it comes to planning the family menu.

The researchers concluded that planning, buying, preparing and cooking food account for 37 per cent of families' concerns, while whether the family would actually eat and enjoy the food accounted for a further 51 per cent. Nutrition and health accounted for 7 per cent and even then the subjects tended to be associated with specialised "health" foods and vitamin tablets, rather than daily intake.

The exact role that advertising has to play in the process of raising public awareness – the AA maintains, self-effacingly, that advertising's role in these matters is always vastly overrated – is likely to remain a matter of controversy.

Advertisers are being asked to promote dietary advice but 'brand adverts are not tools of social engineering' says the industry

Why I holiday in UK

As the British make their annual summer pilgrimage to the beaches of Spain, France and Greece, they leave behind a country increasingly popular with tourists from elsewhere.

Britain is the world's sixth largest earner of tourist revenues. Last year, a record 19.3m overseas visitors spent £9.1bn in the UK

The conventional view is that foreign visitors come to the UK for its historical and cultural attractions. A new set of marketing guides* published by the British Tourist Authority reveals a more complex picture.

Australians and New Zealanders find British castles, gardens and historic houses appealing. Greeks, on the other hand, have no interest in such attractions: they visit the UK to shop, learn English - or undergo surgery.

The BTA's 26 guides show that UK hotels and tour organisers need to adapt their marketing to the country in which they are trying to sell their services.

Belgian visitors like golfing, walking and cycling when they visit the UK. Norwegians like canal cruising. Argentines want to watch rugby.

Visitors from Hong Kong do not like to walk. They enjoy pageantry but do not like rain. Many Israeli visitors to London go to the theatre every night.

Top attractions for Indian and Pakistani visitors are Madame Tussaud's and the Tower of London. Although a large proportion of Indian and Pakistani visitors come to the UK on business or to see friends and relatives, there are increasing numbers of young, financially independent tourists from the two countries.

Visitors from France tend to come to the UK to find eccentricity and cosy pubs.

Michael Skapinker

Order form and prices can be found in the free publication BTA Marketing Opportunities, Department D, BTA, Thames Tower, Black's Road, London W6 9EL.

A most subtle prescription

Drugs companies are using indirect methods, says **Victoria Griffith**

US pharmaceutical companies are bombarding consumers with public health information in a subtle effort to market their products. The theory is that the more people know about their health, the more likely they are to seek help, and the more prescription medicines drug manufacturers will sell.

Genentech, for example, helped finance a print campaign on how to recognise the early signs of a heart attack, indirectly promoting its angina drug, Activase. Merck backed an information campaign on enlarged prostates to market its Proscar product. Upjohn and Solvay are launching a public awareness campaign on obsessive compulsive disorder to boost sales of their new drug, Luvox, a relative of Prozac.

Once, the pharmaceutical industry promoted prescription drugs only to physicians. Today, drug companies find direct marketing to consumers more effective. "We try to empower people with information about their health," says Wyeth-Ayerst. "Earlier, people didn't really participate in their treatments. They just took what the doctor gave them. But now, patients are much more involved."

Drug companies have been traditionally wary of directly promoting prescription drugs, because of strict Food & Drug Administration rules. The FDA requires that all advertising of prescription medicines reveal potential side-effects and provide a balanced view of the benefits and disadvantages of the product.

Pharmaceutical manufacturers often provide money for the awareness campaigns to public health organisations, which then put out information in the form of brochures, print and television advertisements.

"We're seeing more of this [contributions for public awareness campaigns by drug companies] as opposed to traditional contributions over the last several years," says Steven Erickson, a spokesman for the Arthritis Foundation. "There's more of a marketing element involved."

Yet public health organisations say they welcome the trend. "It's a win-win situation," says Brigid Sanner, vice president of communications for the National Heart Association. "We get the information out, patients get a chance to live healthier lives and the drug manufacturers get their message out."

Many health associations have established "corporate" offices to work together with companies on the advertisements, which the associations then vet for accuracy and balance.

The advertisements must contain more than just information about the disease to be effective, though, says Nancy Glick, a senior vice president with the public relations firm Hill and Knowlton. "You need to provide basic information, but you also need to tell consumers what they can do about it: either 'call this 800 number for more information', 'write for a brochure on' or 'ask your doctor about'."

Sometimes, the public awareness messages are followed up by direct marketing. Drug companies are becoming less leery about advertising prescription medicines. Merck, for instance, began a campaign for its drug Proscar with general health messages detailing "what every man should know about his prostate". More recently, however, the company has switched to advertisements which declare "Only one medicine can shrink the prostate: Proscar."

The public awareness campaigns as a marketing tool have proved so effective that other sectors are beginning to jump on the bandwagon. Makers of calcium supplements, for instance, have sponsored commercials on osteoporosis, and one sunscreen manufacturer is expected to launch a campaign this summer on skin cancer and the dangers of exposure to the sun.

□ Partnership tackles region's image
Page II

FINANCIAL TIMES SURVEY

MERSEYSIDE

□ The 'drivers' of change
Page III

Thursday July 14 1994

Merseyside has been handed a two-edged sword. This week the European Commission approved outline plans to spend £628m of EU money over the next six years to help one of Britain's most deprived conurbations catch up with other more prosperous parts of Europe.

This is Merseyside's share of the EU's "Objective 1" funding for those parts of Europe where the local gross domestic product per head is less than three-quarters of the EU average. Other beneficiaries include Greece, Portugal, Ireland, the Highlands and Islands of Scotland and parts of the former east Germany.

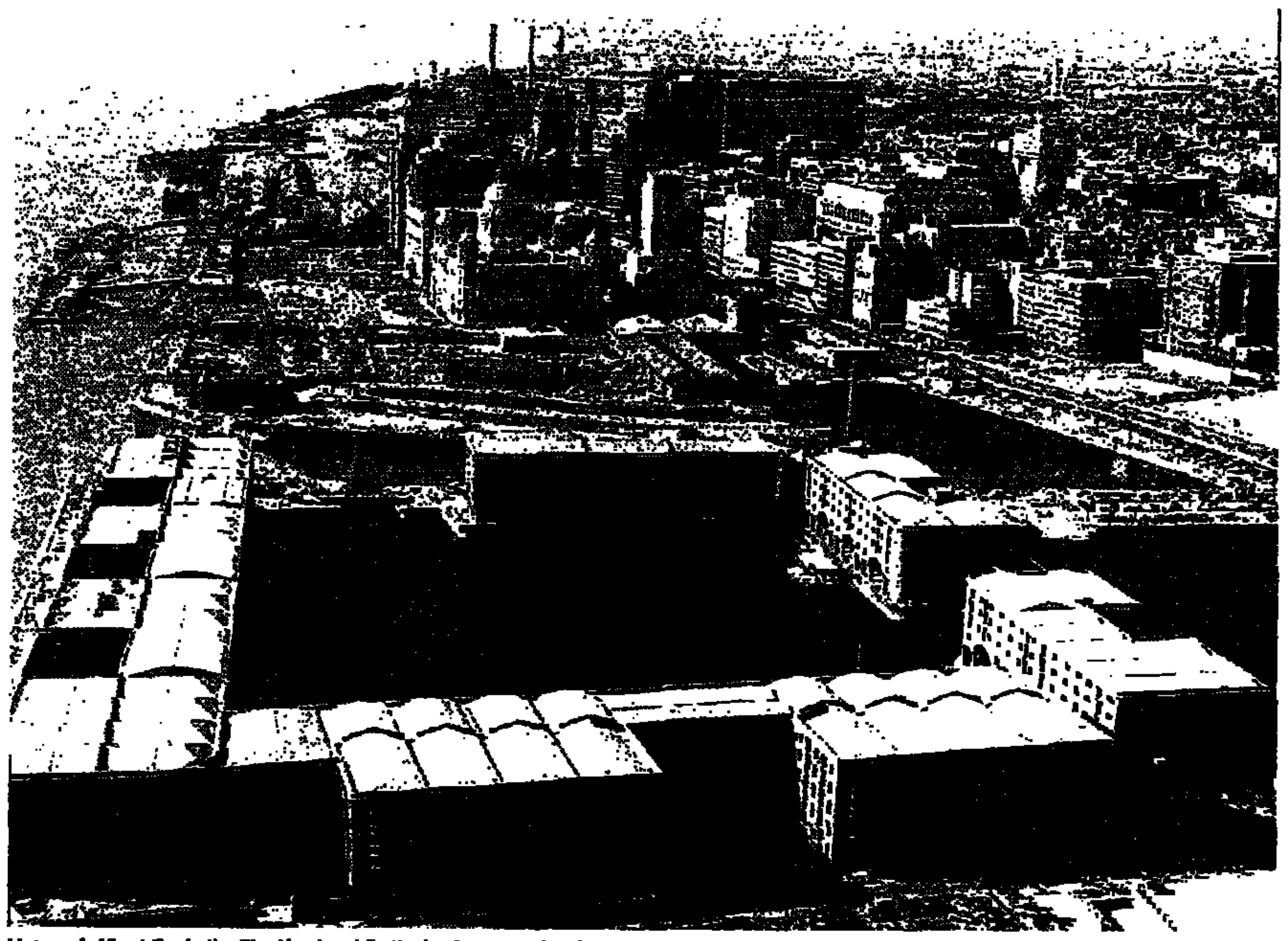
The award does bring with it its own dilemma, as Mr John Stoker, head of the UK government regional office on Merseyside and the man who will be in charge of the money, points out. "Objective 1 is two-edged because you can interpret it positively or negatively." In other words, if an area needs such help, that might put investors off.

Yet, if the resources are handled well, they could accelerate economic growth and create unprecedented business opportunities, reversing the decline that has enveloped Merseyside for decades.

The trick, as the conurbation's leaders recognise, is to cut with the right edge of the sword. Worried Eurocrats in Brussels rejected initial proposals. These would have involved the disbursement of funds on projects not dissimilar to others that have so far failed to stop the decline.

Training is one of these. Professor Patrick Minford, Liverpool University's celebrated monetarist, has warned that soft-focus training – preparing people for jobs that might never materialise – is likely to encourage emigration in search of work, further weakening the skills base. He wants more spent on physical infrastructure, arguing that freer movement encourages trade.

Brussels called in Mr Peter Lloyd, professor of geography at Liverpool University, to redraw the spending plans. Among the people he consulted



Liverpool: Albert Dock, the Pier Head and (in the background) the city centre

The double-edged sword

Ian Hamilton Fazey looks at the region's plans to spur economic growth and create business opportunities with the aid of £628m from the European Union

was Prof Michael Parkinson, whose European Institute of Urban Affairs at Liverpool John Moores University has done definitive work for the EC on why some cities succeed while others fail.

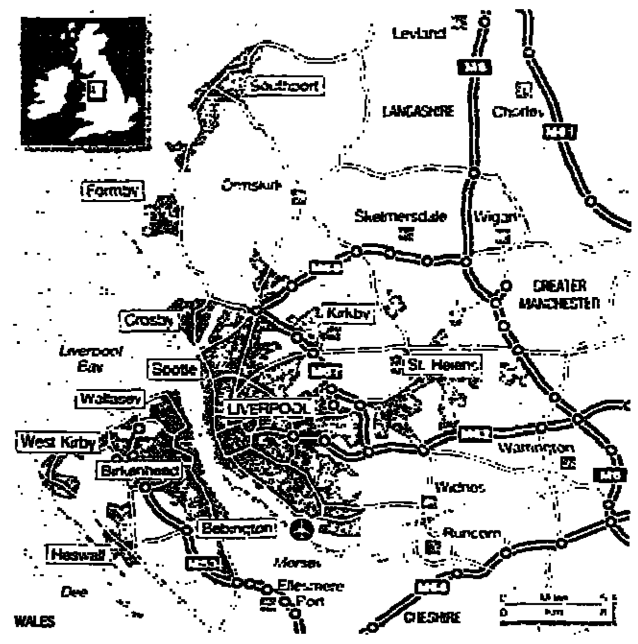
The result is a strategy based on five economic "drivers" – big companies, small companies, technology transfer, leisure industries and human resources.

Brussels has accepted the principles involved, perhaps noting some signs that the tide may already be turning. As Mr Jack Stopforth, former head of economic development at the abolished Merseyside County Council and now a marketing consultant, observes: "The image of Merseyside is now lagging behind the reality. Before, we used to say Merseyside was great, and try to make it so. Now it's getting great but it doesn't look like it yet."

The membership and subscription list of the Mersey Partnership – which will use Objective 1 funds to market the area worldwide – supports him. Councils and companies have contributed between £5,000 and £150,000 each to raise more than £1m. They clearly mean to make it work and seem to have learnt the lessons of what has produced successful regeneration elsewhere.

The lessons are that there have to be leaders; they have to sink their differences and work together; and they have to develop a wider vision of the community than their own role in it.

"There has been a telling influx of young or vigorous people into key positions. Many are newcomers, unconstrained by the great burden of Merseyside's past. They have a commonsense approach which



is yielding benefits," Mr Stopforth points out.

Already in place is Merseyside Development Corporation, a government agency now chaired by Sir Desmond Pitcher, the chairman of North West Water. It has rescued the Mersey waterfront from dereliction, though it has blotted its copybook recently with a public relations disaster over financial losses incurred by a promotional opera concert.

An infrastructure of financial and professional service providers is re-establishing itself. Among them, KPMG Peat Marwick is playing a central role in devising and evaluating financial mechanisms needed for regeneration, while Grant Thornton's Mr Amin Amiri is running a vigorously competitive corporate finance operation from Liverpool.

The latest newcomer is Mr Ian Lobley, director of 3i's Merseyside office, the successor to Mr Rob Toomey, who has joined Edward Billington, the Liverpool sugar merchant and food process group, as development director.

Mr Lobley provides the best evidence of growth where it is needed most (because more jobs are created there) – in the small and medium-sized business sector. "Our local equity book has grown from £10m to £35m since 1991. 3i's total portfolio has risen from £39m to £63m in the same period," he says.

He believes the base of small and medium-sized businesses is too small and must be seriously nurtured. Mr Tim Beer, in charge of a new operation for KPMG dealing with owner-managed businesses, thinks mergers and acquisitions among them – possibly aided by a new fund set up with Objective 1 help – is one answer.

The region's basic problems, leading up to the need to seek special assistance from Brussels, have been the changing patterns of world trade, transportation technology and global economic groupings. Nearly a century ago, Liverpool was the leading European terminal for transatlantic emigration to the US and for world trade.

It grew rich on it but has been in relative decline ever since.A body similar to the new Mersey Partnership was proposed in the 1920s, when it was already clear that a damaging change to the economic structure was under way.

The jet age, bulk cargo handling, containerisation of shipped freight, and Britain's political and economic alliance with an ever-uniting Europe have all further accelerated Merseyside's decline since the 1981 Toxteth riots.

Church leaders – notably the Rt Rev David Sheppard, Bishop of Liverpool – characterised the riots as an explosion of frustrated helplessness in the face of unbridled market forces, but the aftermath did more damage as Merseyside demonstrated an unrivalled ability to shoot itself in the foot.

Marxist factions on Liverpool's city council and among its town hall trade unions sought to municipalise as much of the local economy as they could. Bitter confrontation with the Thatcher government ended with 47 councillors disqualified for financial mismanagement and Liverpool in debt to foreign banks which had financed a series of deficit budgets.

With Merseyside's capital emanating little but bad news, the private sector and the four other Merseyside councils – Wirral, St Helens, Knowsley and Sefton – ran for cover and decided to act independently.

Seven years after the House of Lords confirmed the disqualifications, the Merseyside community is coming together again, though with less than wholehearted commitment from Wirral, which watches developments warily from its self-contained peninsula across the Mersey from the other four, contiguous, boroughs.

In the meantime, the Labour party has expelled most of its known local Marxists or hard-left former members who would not accept the discipline of Mr Harry Rimmer, Liverpool's moderate leader.

Most local leaders believe Merseyside touched rock bottom in 1991 with a seven-month town hall strike But although relative economic decline has since continued – resulting in Objective 1 status – there are signs it may now be reversible.

Merseyside seems to have finally got its act together. All it needs to do over the next six years is to spend £628m of EU funds wisely.

The new constitution

The main item on the *constituent assembly's* agenda is the removal of the 1853 constitution's ban on successive presidential terms to allow President Carlos *Menem to stand* for re-election next year.

If all goes according to plan, the new constitution will allow re-election of the president *to* a second, four-year term. At present, the president serves for a single six-year term. If Mr Menem wins the 1995 presidential *elections, he will govern* Argentina up to the end of 1999, when he will be 69. He would not be allowed to run for a third term.

As well as this, a number of other items are up for debate.

- The indirect electoral college election system will be *abandoned and replaced with* a two-round direct election. If the winner gets more than 45 per cent of votes there need be no second round election.

Equally, if the winning candidate gets 40 per cent of the vote but leads the second candidate by 10 percentage points, there need be no second round. These elaborate rules were drafted bearing in mind the Peronist party's traditional 40-45 per cent share of the vote.

- A cabinet chief, a sort of prime minister, will become responsible for "general administration of the country" exercising powers "delegated by the president". The cabinet chief can be removed by both houses of Congress with a simple majority vote. The opposition Radicals hope this will reduce the president's powers, but Mr Menem has already said he *will not cede full presidential* powers.
- The 48-member Senate will be increased by half. The extra 24 seats will be allocated to the opposition parties in each of the 23 provinces and the federal district of Buenos Aires.
- The executive's legislative powers, principally the right to issue emergency decrees, will be restricted. The president will be forbidden from *decreeing on tax, criminal* law or electoral issues. However, the role of Congress in ratifying or rejecting presidential decrees is not clear.
- *A council of jurists will* select judges and oversee management of the judiciary. At present, judges are selected by the executive and approved by the *Senate. The* Supreme Court is responsible for the management of the judiciary.

This amendment is meant *to strengthen the* independence of the courts, since judges are often appointed for political reasons. However, the rules governing the *council will be written by the* Peronist-dominated Congress.

- The head of the National Audit Bureau will be nominated *by the opposition and* be subordinated to Congress. At present the toothless Audit Bureau is part of the executive.
- The mayor of Buenos Aires will be elected. At present the president appoints the mayor. The federal district of Buenos Aires is a traditional Radical stronghold, and this was intended to benefit the Radicals. However, they have lost the last two elections in the city and would do so again if the elections were held today.
- The share of financial resources between the federal and provincial governments is to be made more equitable. The tax shareout at present is subject to a number of complex rules that gives the provinces 56 per cent of certain federal taxes, such as value added tax, but not *customs* revenues. The provincial governors *demand that they be* given half of all taxes raised by the federal government.

In addition to these points, there are other clauses introducing referenda, granting independence to federal prosecutors (currently controlled by the government), protecting the environment and entrenching competition policy and consumer rights in the constitution.

Mr Menem's chances of re-election look strong, says **John Barham**

No guarantee of stability

Last year President Carlos Menem's chances of fulfilling his over-arching ambition of removing the constitution's ban on successive *presidential terms and* standing for re-election to a second term looked remote.

Now, the constitution is being changed and already Mr *Menem looks unbeatable in the* 1995 elections.

Mr Menem achieved this by enlisting the opposition Radical party – which had used its *blocking minority of 84 seats in* the lower house of Congress to prevent reform – as allies in amending the US-style 1853 constitution.

In a deal last December with his old rival Raul Alfonsin, the Radical leader and former president, Mr Menem agreed to a constitutional reform formula *that strengthens the judiciary* and legislature and introduces a semi-parliamentary form of government in exchange for being allowed to stand for a *second term.*

Most Argentines are treating the reform process with considerable cynicism. Rosendo Fraga, a political commentator, *says: "None of these reforms* are essential. The only reason for reform is Menem's re-election. The other clauses are only there to justify this."

But optimists, especially those in the business world, say a second Menem term will

A second term for Mr Menem creates as many doubts as it does certainties

further extend the horizon of political stability, allowing his free market reforms to consolidate themselves. Mr Menem has stated repeatedly that he will reappoint Domingo Cavallo as his economy minister.

However, many foreign executives would have preferred a Chilean-style transition in which the direction of economic policy has remained *unchanged, in spite of two* changes of government.

The core of the new constitution is contained in a Congressional resolution passed last December with a two-thirds majority with unanimous backing from Mr Menem's Peronist party and the Radicals. The resolution's text was drafted in secret by Radical and Peronist negotiators. The two sides agreed that an assembly elected in April to rewrite the constitution must accept or reject this reform package *without any modification.*

In addition to the reforms already agreed by the two parties, Congress has allowed the assembly to introduce addi*tional changes such as introdu*cing referenda or entrenching consumer rights in the constitution.

Pollsters say that although *the public shows little interest* in the constitutional reform process, it seems content to allow a successful government to continue in office for a sec*ond term.*

However, a second term for Mr Menem creates as many doubts as it does certainties. There are those who believe he *will do little to strengthen* Argentina's weak democratic institutions: no other president in Argentina's history has resorted to emergency decrees *– 308 of them in four years –* as much as Mr Menem has. The draft constitution is vague on congressional ratification of presidential decrees. It does not say *whether Congress may* even overturn decrees.

Successful economic reforms are the foundations of Mr Menem's political popularity. *But Manuel Mora y Araujo*, a pollster, warns that Mr Menem may be making a serious mistake by believing that economic stability and growth are sufficient to satisfy voters. He says: "People want other things. People have other priorities. The dominating themes today are unemployment, corruption, education, health."

However, few politicians are responding to these demands. The Radicals have been discredited by Mr Alfonsin's disastrous 1983-89 government and his alliance with Mr Menem. Mr Mora y Araujo also notes a deepening contempt for *conventional politics and politicians.*

These factors, plus a strong anti-corruption message, account for the rise of the Frente Grande, a loose coalition of left wing parties, dissident Peronists and environmental groups. The Frente is led by Carlos Alvarez, a charismatic Congressman. He says: "Our view is that most officials are part of a corrupt system and Menem allows and generates and approves of corruption".

The Frente carried the federal district of Buenos Aires during the April 10 elections for delegates to the constituent

Mr Menem's poor health has made the post of vice-president a desirable political prize

assembly and took 14 per cent of the national vote, finishing third behind the Radicals.

Still, few analysts believe Mr Alvarez threatens Mr Menem's re-election. A diplomat commented that the elections were more akin to a by-election in which voters registered discontent. But in a presidential election they would probably cast their vote for Mr Menem.

There are those who wonder how Mr Menem would react to an economic downturn. Many fear his latent populist tendencies would come to the surface. A former minister says he worries about Mr Menem's *"authoritarian tendencies".*

Mr Menem is given to lashing out at critics with incendiary statements. He has compared the opposition press to *terrorists and bomb throwers.* He has said human rights campaigners are "attempting to undermine the foundation of the institutions, including the armed forces. We will never again tolerate subversion in our country".

Neither is Mr Menem, in spite of his protestations, in the best of health. Last October he underwent emergency surgery to remove a blockage in the carotid artery which carries blood to the brain. Mr Menem came dangerously close *to* an incapacitating stroke. It also emerged that he suffers from diabetes.

His deteriorating health has made the once unattractive *post of vice-president* a desirable political prize, with several Peronists discreetly pressing their claims. However, Mr Menem has said his running mate will be Eduardo Duhalde, his vice-president until his election as governor of Buenos Aires.

If Mr Menem were to disappear from the *scene, his* successor could change course abruptly. Mr Duhalde is a consummate machine politician with little attachment to Mr Cavallo's economic policies. Mr Cavallo's tight control over spending and unpredictable outbursts of fury have made him deeply unpopular in the government. In May he stormed out of a cabinet meeting shrieking that fellow ministers were conspiring against him.

Argentina's weak political institutions, further unsettled by the constitutional reform process, and its history of violent, unpredictable upheaval mean that Mr Menem's re-election does not guarantee that stability will continue.

THE PROVINCES

Prosperity is dwindling

Few of Argentina's 23 provinces have benefitted from *the past three years of* vigorous growth. The backward northern region, bordering Bolivia and Paraguay is suffering as its traditional economies, based on sugar cane and tobacco, decline.

To the south, vast but sparsely populated Patagonia is seeing its population dwindle further as the oil industry sheds jobs, as it restructures and central government subsidies are cut off.

Even on the Pampas, Argentina's agricultural heartland, times are hard. Agronomists reckon that only one in five farms in the province of Bue*nos Aires are economically* viable. Santa Fe, once one of Argentina's most vigorous industrial provinces, has become a rust bowl of obsolete industry and rising unemployment where labour unrest is rising.

Only a few parts of the country are prospering. The industrial belt surrounding Buenos Aires concentrates one-third of Argentina's population and much of its industry. Cordoba is the cradle of the car *industry. Mendoza to the west* has bucked the trend of weak regional economies. It has sound government, a relatively vibrant local industry and has *become a focus of investment* from neighbouring Chile.

However, none of the provinces has emulated economy minister Domingo Cavallo's sweeping reforms of the federal public sector. Their aggregate budget deficit may reach \$2bn-3bn this year – about 1 per cent of GDP and more than five times larger than expected at the beginning of the year.

Unreconstructed public sectors raise local industry's operating costs by burdening it with high taxes and expensive but inefficient infrastructure and utilities, making it hard to create jobs or raise investment.

The government is keenly aware of the dangers of allowing large regions of the country to fall further behind the few prosperous provinces. *Already, the overcrowded* slums surrounding Buenos Aires are swelling with migrants from the interior.

Last December, rioters seized *the northern city of Santiago* del Estero for a day, looting and burning as they went. It was Argentina's worst outbreak of violence since hyperinflation four years earlier. Public employees demanding unpaid wages led the rioting. Unrest continues to simmer, with public employees protesting almost weekly in cities throughout the interior.

Comparisons with the new year's day guerrilla uprising in Mexico's state of Chiapes are far-fetched, but Mr Menem's failure to deal adequately with the provinces' troubles is emerging as one of his greatest shortcomings.

On the one hand Mr Menem needs the powerful provincial governors' backing for his re-election campaign. Yet at the same time Mr Cavallo is demanding deeply resented public sector reforms. Unsurprisingly, Mr Cavallo's reforms are on hold.

The governors – led by members of Mr Menem's own Peronist party – are demanding that the assembly which is rewriting the country's constitution should insert a clause ordering the federal government to hand over half national tax revenues to the provinces. The federal government has budgeted tax revenues of \$47.46bn for 1994, \$16.09bn of which it must transfer by law to the provinces.

Giving way would open the door to an avalanche of demands for more concessions.

In June, Mr Menem bluntly *told the governors to* "be quiet and try to *contribute* to reforming the constitution, and not introduce destabilising elements". He attacked them for "demagogic, absurd populism".

Meanwhile, Mr Cavallo and Juan Antonio Zapata, his secretary overseeing provincial reform, are struggling on as they can. Even Mr Zapata admits he is facing an uphill struggle. He says: "We need a gradual policy. We are pushing through some policies to reform the provincial public sector, but until the private sector [shows] strong demand [for labour], it is difficult to carry out. It will have to be *done simultaneously. Each* province reforms as it can."

In many provinces, notably the north-west, local governments are the largest employers. No governor can afford to throw thousands of employees out of work when unemployment is already high. Furthermore, distribution of government jobs is a cornerstone of a clientelistic political system that has kept some ruling families in power for generations.

The government is aware of the dangers of allowing large regions to fall behind the few prosperous provinces

Neither can the governors afford to reform their highly inefficient and anti-business tax systems for fear of losing revenues. In the past, the federal government showered subsidies and investment incentives on the regions, even though corrupt businessmen and officials often stole these resources. In one celebrated case, Koner SA, a now bankrupt conglomerate, is accused of misappropriating \$100m in government subsidies over a five-year period in the 1980s.

Mr Cavallo has a different approach. He has cut federal taxes for companies in the interior. He has given the provinces more money in exchange for promised tax reform and privatisations. He has offered to take over deficit-ridden provincial *retirement funds.* Mr Cavallo is also targeting \$300m of federal spending on infrastructure in the provinces this year as part of a planned \$2bn, *five-year program.*

Furthermore, privatised telephone, rail, port and highway operators are also investing heavily in the interior. More efficient and cheaper infrastructure is reducing compa*nies' costs as well as pumping* money into the regions. However, the provinces have stubbornly resisted privatising their utilities and banks.

Governors complain that Mr Cavallo's largesse hardly compensates for the transfer to the provinces of responsibility for education and health that used to be handled by the federal government. But most of the governors are taking the extra money without keeping their side of the bargain and beginning reform. Provincial governments' spending rose to \$25.70bn last year from \$16.24bn in 1991, when Mr Cavallo *took office. Spending* on wages hit a record \$13.76bn in 1993 – two-thirds more than in 1991. An exasperated Mr Menem said the governors were *"not administering as* they should. They are not lowering public spending. They have not carried out public sector reform".

Yet *his* home province of La Rioja – which Mr Menem governed from 1983-89 in the time-honoured tradition of padding the public payroll – has done little in the way of reform. Even the local finance minister admitted La Rioja receives more than *its* fair share of federal transfers. *Until* the provinces' backward political structures are reformed, it is hard to see how Argentina can achieve balanced and sustainable *growth.*

John Barham

Grape harvest in Mendoza: only a few parts of the country are experiencing economic growth *John Wright*

How the European funds are likely to be spent

The 'drivers' of change

A five-point plan to regenerate Merseyside's lagging economy has been approved by the European Commission, it was announced yesterday.

The six-year plan will be the basis for spending Merseyside's £628m of Objective 1 funds. UK public sector sources will match the sum. The combined £1.26bn is expected to lever in more from the private sector.

Under the plan there will be five main "drivers" of economic change:-

- The big-company sector. Projects will relate to preparing, servicing and accessing strategic sites for large companies and significant inward investors. Infrastructure spending, marketing and improving the region's image will also be covered here.
- Small and medium-sized enterprises (SMEs) will be encouraged to grow, with EU money helping to fund training, services and advice through TECS and Business Links. There will be a Merseyside Special Investment Fund, set up by the clearing banks but with EU money used to subsidise interest rates for business loans.
- Knowledge-based industries will be encouraged, with special attention to technology transfer between Merseyside's two universities and industry, particularly SMEs. One idea is a graduate retention programme with local industry to keep more people in the area after qualifying.
- The arts, cultural and tourism sectors will be encouraged.
- People-based initiatives will concentrate on training and systematic development of human resources. Inner city and social problem areas, such as outer estates with high unemployment, will be especially targeted.

Money will be cascaded into projects on a wholesale-retail basis. It will go in bulk to "eligible bodies" – such as local authorities, the three TECs on Merseyside, or the universities. Other "eligible" wholesalers include Merseytravel, English Partnerships and Merseyside Development Corporation, as well as voluntary sector and non-profit organisations, or other bodies acting in the public interest.

The Speke-Garston area may see a "21st century" business park

English Partnerships (EP) is expected to play a leading role as the big-company driver.

Mr David Taylor, the chief executive, says three main sites will be involved, headed by the Speke-Garston area near Liverpool Airport, where EP will commit £36m to develop what Mr Alan Chape, deputy chief executive of Liverpool city council, says will be a 21st century business park. A new link road is already being built to put Speke within a few minutes of the motorway network.

Another EP investment site will be Parkside colliery in St Helens, which closed last year. It is well-placed, adjacent to the M6 near the Haydock interchange with the A580 East Lancashire road and the M62 cross-over.

The third site is the Cammell Laird shipyard at Birkenhead, which its owner VSEL, the Barrow nuclear submarine builder, closed but has been reluctant to sell. Merseyside Development Corporation has compulsory purchase powers. A joint venture with EP and the private sector looks possible.

Some SMEs have criticised the plans because under EU rules they cannot apply for Objective 1 funds directly, since these are for restructuring industry rather than subsidising individual businesses.

However, Mr Tim Beer, who runs KPMG Peat Marwick's north-west services for owner-managed businesses, suggests: "Companies might join together to draw down training and consultancy money to improve competitiveness.

"Many SMEs have still to tackle how to reduce costs. We need more mergers and acquisitions among them. I have seen a large number of companies that are fundamentally good but their individual market shares are too small to carry their costs and allow substantial growth. There is also a need for venture capital."

On this last point, Mr Ian Berry, chief executive of Liverpool chamber of commerce, hopes to set up an investment fund administered by a trust. It would work in the equity gap with private sector venture capital partners, down to as little as £50,000 invested. Due diligence – the costs of which make most deals below £500,000 uneconomic for the private sector – would also be met by the fund.

He also sees SMEs as being able to borrow from a fund that the banks would create, but at interest rates subsidised by Objective 1 money.

In the tourism area, Objective 1 funds can be used to help build hotels. Mr Berry says Merseyside would also benefit from reviving Liverpool's largely dilapidated Chinatown, partly by building an underground station in the middle of it to improve access from Merseyrail's existing services.

Many of the "people" initiatives will try to target training to upskill the workforce in jobs, rather than just train unemployed people for stock. The three TECs – Merseyside in Liverpool, Cewtec in the Wirral and Qualitec in St Helens – will be the main wholesalers of funds.

As Mr John Stoker, head of government offices on Merseyside, puts it: "It's about jobs; it's about enabling. It's a tall order, but Objective 1 has got to address fundamentals and make things better."

Ian Hamilton Fazey

Wavertree Technology Park was launched in 1983 as a symbol of Merseyside's future. The idea was to attract value-added, high-wage new employment – rather than low-paid jobs in retailing and assembly – and help stop the drift of qualified, able young people from the region in search of work.

The original 65-acre site was a disused railway marshalling yard. Tenancies were to be restricted, if possible, to high technology and associated industries. The original park is now approaching full occupancy, with 30 companies employing 2,200 people.

The technology park has always worked closely with the Merseyside Innovation Centre, which, in turn, has close links with the two universities, Liverpool and John Moores, and the Merseyside TEC.

MIC was set up in 1981 by the universities and the local authorities, and has become an important force in providing product development, design contracts and training.

Links between the park and universities will be strengthened to encourage more technology transfer

One of its largest contracts is with Merseyside Training and Enterprise Council and is aimed at keeping university graduates in Merseyside. Each year, the MIC has a graduate training and placement programme involving more than 200 unemployed graduates. About 70 per cent get jobs.

The MIC is also involved in registering companies for the BS5750 quality standard and helps inventors and small companies obtain seedcorn money from such schemes as the Prince's Trust and the DTI's Enterprise Initiative.

Dr Brian Job, executive director, says: "We give signposting support to individuals and inventors. We have around 1,000 approaches from individuals or companies a year."

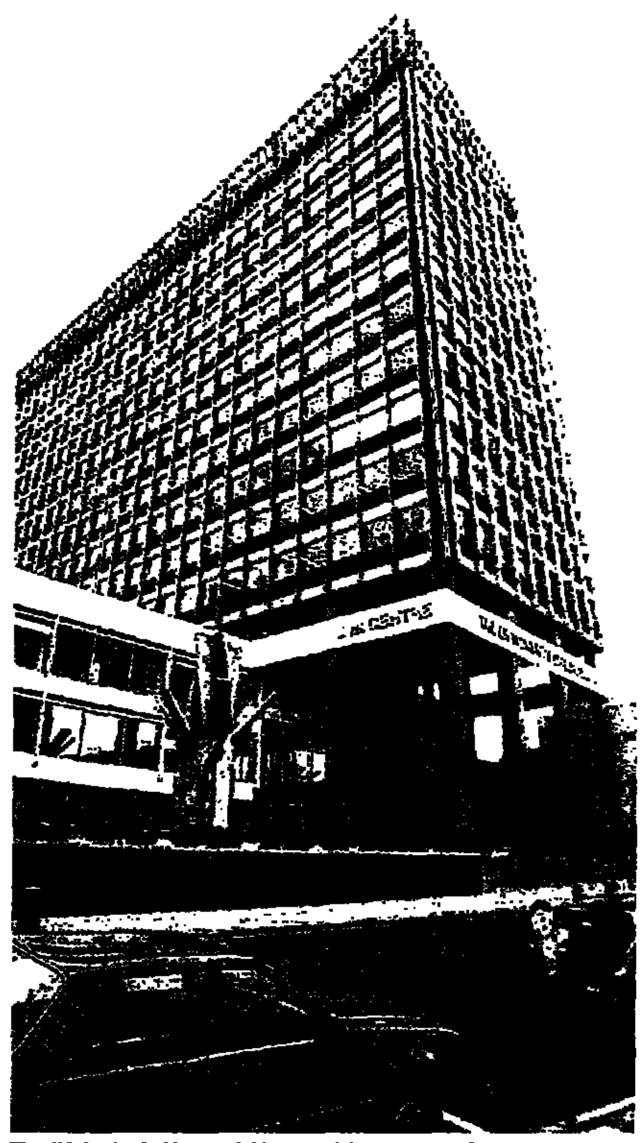
An adjacent 23-acre site to Wavertree has been acquired and landscaped and the first building, a business and technology centre, has just been completed by English Partnerships, the successor to English Estates.

Merseyside Innovation Centre will manage this new centre and strengthen the links between the park and the universities to encourage more technology transfer.

However, Wavertree's role as the forerunner of a local network of similar parks for knowledge-based concerns remains, in the words of Mr John Pugh, corporate affairs director, "an aspiration".

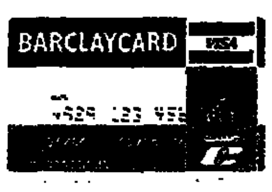
Stewart Dalby on changing the economic base

Reskilling emphasised in 'Training for work'



The JM Centre in Liverpool, Littlewoods' mail order HQ *Trevor Humphries*

So difficult has been Merseyside's unemployment problem that the area has been glad of any job-creating investment it can get. The largest employer on Wavertree is Barclaycard – certainly not low tech, but hardly the model of state-of-the-art high technology.



Wavertree technology park's largest employer is Barclaycard

However, the desire not to be content with a mix of low paid jobs in retailing, tourism, leisure and construction remains strong. The evidence for this is a drive to upgrade skills in all areas, rather than just trying to reduce unemployment.

Mrs Linda Bloomfield, chief executive of Merseyside Training and Enterprise Council, feels some criticism of the two main training programmes has been justified. Many believe the youth training scheme and the employment training programme have been aimed at reducing dole queues, rather than addressing the long-term problems of skill mismatches between the jobless and the jobs available.

She says: "The employment training programme has been particularly discredited. People were signing up for a few weeks, then immediately going back to unemployment."

The replacement programme – "Training for Work" – emphasises reskilling and tries to ensure proper placement for older long-term unemployed people. Meanwhile, the programme of training credits for young people which has taken over from the youth scheme stresses training and acquiring skills for both the employed and unemployed.

"The programme has been discredited. People were signing up, then going back to unemployment"

Mrs Bloomfield says: "We start in the schools with 14-year-olds. We try to raise their horizons, make them believe in themselves."

School-leavers are given credits which will give them training that leads to a national vocational qualification. The training credits programme is the largest scheme undertaken by Merseyside TEC, accounting for £20m of its £46m budget.

At any given time, there are 6,000 young people on schemes. Last year, 36 per cent left with some form of National Vocational Qualification, with a 42 per cent increase in the numbers reaching NVQ level three. Over 25 per cent went into a permanent job.

Mrs Bloomfield believes that solving Merseyside's chronic unemployment problem is beyond the remit of the three Tecs – the other two are Qualitec in St Helens and Cewtec, which covers Chester, Ellesmere Port and Wirral.

"Overall unemployment is 15 per cent against a national level of 10 per cent, but male unemployment in some pockets is 50 per cent. Merseyside will go on exporting workers," she says. "What we can do is contribute to making skills available so that the significant money about to come to Merseyside utilises [the skills of] the local population."

■ HIGHER EDUCATION

Campus is no longer remote

An old industry has been mushrooming anew in the heart of Liverpool. It is higher education and its local turnover is almost £300m a year and rising.

That is at least four times more than 10 years ago. Partly, it is the result of the expansion of higher education places and the metamorphosis of Liverpool Polytechnic into Liverpool John Moores University, but it is also the result of radical changes in attitude.

Merseyside has two universities – the new "JM" and the "old" Liverpool University, the first of the civic redbricks. What characterises each of them is an obvious and vigorous sense of entrepreneurship.

It was very different 12 years ago, when Liverpool University often appeared trapped in its own precinct at the top of Brownlow Hill, quite literally a stone's throw from the 1981 Toxteth riots, from which it was insulated and aloof.

At the same time, the polytechnic suffered from the second-class status conferred on colleges of its ilk by local authority control, fewer resources and a national, externally-controlled, bureaucratic system for validating its degrees.

Today, Liverpool University turns over £150m a year on its own, a third of it on research, with three-fifths of this latter amount discretionary money won in a tight marketplace from industry and various research councils.

Liverpool JM has been regenerating much of the elegant Georgian section of the inner city on its own. Originally a conglomeration of technical, art and commercial colleges dotted about the place, the dots are spreading, becoming blobs and coalescing, reversing the spread of a spotty dereliction that was threatening an overall, seedy decline.

"Our theme: partnership with industry, commerce and the community"

Professor Peter Toyne, who stresses his entrepreneurial orientation with the combined title of vice-chancellor and chief executive, has rescued a fine old terraced small mansion in Rodney Street – Merseyside's Harley Street – as the JM's headquarters.

"Vision is all-important," he says. "We are in the business of being a new kind of university. We have compacts with local schools and are trying to harmonise the area's potential. We cannot become a remote campus and we don't want to be. We are all over the city and growing into it osmotically."

He believes in out-reach – and keeping access open to anyone who can benefit from higher education and pass the exams at the end. This means that although there are more than 10 applications for every place now, the JM has resisted the urge merely to move academically upmarket.

A few mature adults without conventional school-leaving qualifications can still get in if they can prove their ability in a rigorous interview. Admission tutors counsel other routes elsewhere, such as vocational courses, if they think an applicant might fail.

The JM has also modularised its courses so students can mix and match them over three or four years, studying in bites. This brings Prof Toyne to what he calls his "bite and megabyte" philosophy, using information technology more effectively in education.

So the JM does not have a conventional library, but an architecturally impressive new £8m learning resource centre. This has been partly endowed by the Canadian-born Mr Aldham Robarts, one of the UK's pioneers of free newspaper publishing when he founded the Wirral Globe, initially an advertising freesheet, in 1973.

The centre is a library in one sense, but every carrel has a terminal – there are 700 of them – for access to any database a student might need. It can also be accessed remotely by modem from personal computers. The JM is already planning a second centre and other universities are looking to copy the model.

A few hundred yards away from Rodney Street in Senate House, Liverpool University's vice-chancellor spells out a complementary philosophy. Prof Philip Love's greatest selling point is his university's academic reputation and record as one of Britain's top research institutions.

While Chadwick's pioneering work splitting atoms 60 years ago has been superseded by a nationally funded interdisciplinary surface science centre and a Leverhulme-backed catalysis research institute, a university can only get such prestigious projects if it has a widespread, rock-solid academic base.

"Our theme is partnership with industry, commerce and the community," Prof Love says. "We have lots of very expensive facilities which we intend to make increasingly available locally, with emphasis on wealth creation."

For example, there is a rapid prototypes laboratory which he believes should be used more by small companies than by large ones. He is also trying to ensure that Liverpool's graduates are never thought unworldly by industry and commerce.

"All learn problem-solving skills as part of their courses," he says. "We try to produce people with multi-competences. Instead of just having a degree in a particular subject, we try to equip them with competences for a lifetime in work – and with entrepreneurial skills, if possible."

Ian Hamilton Fazey

TECHNOLOGY

Miranda Eadie on research into processing materials in microgravity

Making it in space

The idea of making things in space still belongs to science fiction rather than reality. In spite of the scientific advantages of manufacturing outside gravity's reach, sending up the equipment is just too expensive.

But with the launch last week of a unique space laboratory to study what happens to materials when handled in microgravity – the very low gravity environment in an orbiting spacecraft – progress towards the processing of metals, alloys, crystals and glass outside the earth's pull could receive a big impetus.

The International Microgravity Laboratory, or IML-2, is dedicated to the study of life and materials sciences in microgravity. It was carried in the cargo bay of the US space shuttle Columbia that took off on Friday.

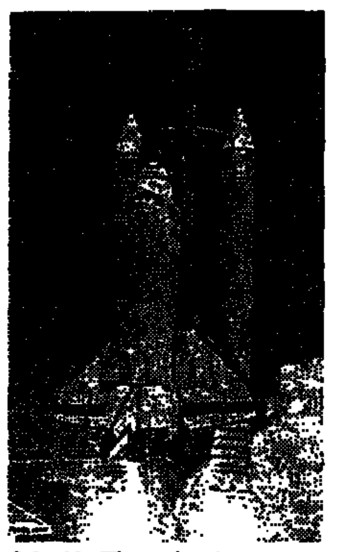
The 14-day mission, the second in a series of international Spacelab missions, will carry out 77 experiments to explore how life forms adapt to weightlessness and how materials behave when processed in space. The European Space Agency has provided half of these, the rest coming from the National Aeronautics and Space Administration in the US and space agencies in Japan, Canada, Germany and France.

The life science experiments will use biological specimens, from single cells to whole organisms, to study the effects of space radiation and microgravity on genetic material, growth, reproduction and bone development. The well-being of the astronauts will also be studied.

The materials science experiments will cover areas such as metal alloys processing and the growth of crystals. These are of particular interest because the microgravity environment is free from such gravity-induced effects as convection and sedimentation. Normally, these limit the quality of processing and restrict the scope of studies into the materials.

It was back in the late 1960s that Nasa began materials processing in space (MPS). The first experiments were conducted during the return of Apollo spacecraft from the moon, followed by pioneering experiments on Skylab, the US space station, in the 1970s. The hope was that space would contain factories of the future, producing miraculous new crystals and drugs and processing materials of supreme quality.

However, although research has proved that many products processed in space are of higher



Columbia: 77 experiments

quality than those made on the ground, production in space is unrealistic economically. Transportation costs, at approximately $100,000 (£66,000) per kilogram, are too high and the lead times too long to be of commercial interest.

Yet industry is interested in microgravity research. Although commercial processing in space is unlikely for at least a decade, the lessons from research in space can be applied in manufacturing on the ground, leading to improved industrial techniques and better materials.

To be considered for processing in space, materials have to be pretty special in the first place. They must have superior or unique properties compared with any rival material or substitute processed on earth; they must be key elements in a system for advanced industrial, medical or other high technology application; and they must have a high cost to weight (or volume) ratio.

"What is needed to approach such a high risk activity as MPS are long-term industrial commitments supported by a strong national policy," says Hannes Walter, chief scientist for fluids and materials in the ESA microgravity programme. In *Fluid Sciences and Materials Science In Space*, an ESA publication, he says: "Progress in materials science and engineering stimulates the growth of many sectors of the economy. The access to new materials and processes results not only in qualitative improvements, it frequently generates new technology."

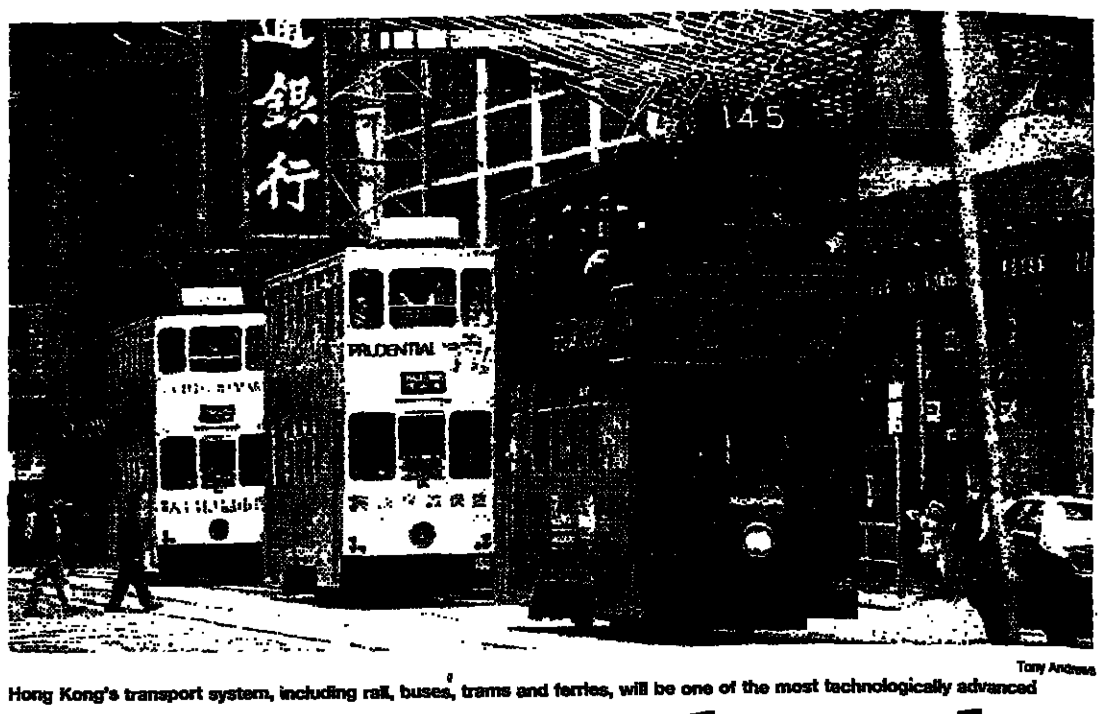
For example, knowledge from research into microgravity has led to development of a casting process that produces even dispersions of lead or bismuth in aluminium alloys – which has applications in self-lubricating bearings. Germany's Metallgesellschaft is testing these for use in car engines with the hope that reduced friction and wear will cut fuel consumption and pollution.

A new technique for making glass fibres used in transatlantic communications cables was also first studied in space. In the original terrestrial method, the glass fibre constituents are melted in containers or crucibles. When heated above 1,000°C, the containers sometimes melt, leading to contamination and a reduction in the glass fibres' transmission efficiency. In the space-perfected technique, containers are not needed – the constituents are held in levitation in an electromagnetic coil – thus avoiding contamination. Reductions in the loss of laser light (carrying voice and data traffic) in the glass fibres of up to 10,000 times can be achieved.

Industry is also interested in space-processed material samples for evidence of their technical limits. Some companies want to know more about crystal growth, in particular protein crystals. Humans are estimated to consist of 1m different proteins.

Understanding the three-dimensional molecular structure of proteins is necessary to understand many biochemical processes and for better design of therapeutic agents such as drugs and vaccines.

Since materials are a key to technological progress and thus competitiveness, the IML-2 mission has an important role for industry. So even if the costs of manufacturing in space remain prohibitive for some years, research will go on.



Tony Andrews

Hong Kong's transport system, including rail, buses, trams and ferries, will be one of the most technologically advanced

Smart cards take to the streets

Hong Kong's public transport system is about to be revolutionised, writes Simon Holberton

In about two years' time, if all goes according to plan, Hong Kong will have chalked up another first in the field of public transport. Not only will it have one of the only profitable public transport systems in the world but it will also be the most technologically advanced.

By mid-1996, Creative Star, a consortium of transport providers led by the colony's Mass Transit Railway Corporation, hopes to be issuing the first batch of 3m credit card-sized plastic "smart cards". The consortium – which brings together rail, buses, trams and ferries – represents one of the most comprehensive and biggest applications of smart card technology.

This system is being designed by ERG Australia, a Western Australia-based company which is a leader in the application of smart card technology to urban transport systems. The system to be introduced into Hong Kong will have initial capacity for 3m to 4m transactions a day producing annual revenues of around HK$8bn (£660m) across all forms of transport.

ERG, which recently won the HK$400m contract, is also advising transport authorities in Manchester, London and Melbourne about the application of smart cards to public transport.

Unlike most ticketing systems, which require the ticket to pass through a mechanical device, the secret to the smart card being introduced in Hong Kong is that it does not come into contact with anything. A microprocessor embedded in plastic – which possesses the computing power of IBM's first personal computer – is activated when passed over a "target" device.

This device powers the card and enables it to communicate with the target. Once a form of radio contact is established there is a two-way exchange of information between the card and the target. The card is identified and reports its remaining value; the target assesses if there is enough value in the card to enter the station. If so, it transmits date, time and station of entry. A similar process occurs at the end of a journey, with the cost of the fare being deducted on exit.

This process takes place within the twinkling of an eye – just a third of a second. The information passes down data lines (or by microwave communication for buses and ferries) to a "service provider central computer" owned by the railway or bus company, enabling it to know instantly the usage of routes and lines. This management information, which could be valuable to competitors, is stripped off before the raw billing data is passed on to a central clearing house. Creative Star totes up and distributes revenue according to usage.

The card is easy to operate. Creative Star makes much of the fact that a user need never take the plastic out of his or her wallet or purse. All a user has to do is pass it over the target to gain access to the station or bus. According to Brian Chambers, a technical manager at the MTRC in charge of the smart card project, the target's signal could be powerful enough so that it detects a smart card on a passenger without his doing anything.

"People could walk through the turnstile without touching the card," he says. "But Japanese research shows that people don't like the idea of a body scan. They prefer to take the card out and touch the unit. They feel a transaction has been executed."

The MTRC is also concerned about the potential possibilities for invasion of privacy inherent in the smart card. As the card is not disposable, users will have the opportunity of personalising their card with a photograph and personal data. This will allow identification of the card in case of theft. Anonymous cards will also be issued, although the ability of the MTRC to cancel a stolen card and reimburse the lost money will be diminished.

"We intend to hold the least amount of data possible," says Chambers. "We are endeavouring to make sure there is no link between what personal information we may have and the usage of the card. But if the card is lost what we want is some mechanism of cancelling the card and returning the unused value to the customer."

Creative Star has set ERG a demanding specification for recharging the smart card. It wants to offer three methods of recharging. The first is conventional – take it to the MTRC window and pay the desired amount of cash. The other two methods, however, have the potential to make the card into a cash equivalent.

The first is to place the card into an automated teller machine and debit a bank account. The second is to establish a direct debit on a savings or current account. When the card falls to a specified level it is recharged (again to a specified upper level) on passing by a target.

In this way, the introduction of smart cards will not only herald the beginning of yet more convenience for the users of Hong Kong's public transport, but also the beginning of the end of small change.

If the executives running Creative Star have their way, people will use their smart card for transactions ranging from buying a newspaper or soft drink from a vending machine, to making a public telephone call, paying for parking, buying fast food or sitting in a booth to have a passport photograph taken.

Rob Noble, director of marketing and planning at the MTRC, notes that the card is designed for large volume, small transactions. But in offering vendors of other non-transport products access to Creative Star's central clearing system, he says it will not be trying to compete with credit cards.

"We're at the bottom of the market competing with cash," he says. "We see it as a convenience for customers. But the more cards in use, the more able they will be to use it for convenient things. We don't want it to be an MTRC card or a transport card, but ultimately a cash card."

PEOPLE

Higher and higher at Hyatt

Yorkshireman Darryl Hartley-Leonard sounds like a character out of *Kane and Abel*, one of Jeffrey Archer's best-selling novels. Just 30 years after he found a job as a desk clerk in a Los Angeles Hyatt hotel, he has risen to be chairman of the privately-owned Hyatt Hotels Corporation, which oversees 103 establishments in North America and the Caribbean.

Hartley-Leonard, 49, who takes over from Thomas Pritzker whose family owns the company, has managed hotels in Chicago, Houston and Atlanta. Pritzker remains president of the parent Hyatt Corporation.

Since settling in the US,

Hartley-Leonard has thrown himself into good causes, including Unicef and the Big Shoulders Fund, which supports Catholic schools in Chicago where Hyatt has its headquarters.

He helped form the Hyatt Force (Family of Caring and Responsible Employees), which gives staff four days off each year to work in their communities. His enthusiasm has been spotted by Ron Brown, US Commerce Secretary, who has appointed him as an adviser on travel and tourism.

Hartley-Leonard became president of Hyatt Hotels in 1986, with responsibility for their operations and development. His new post will leave him free to concentrate on longer-term strategic issues, including the company's decision to start franchising hotels, which is expected to begin in the next fewmonths.

■ **Greg Melgaard**, formerly md, has been appointed chief executive of GESTETNER HOLDINGS.

■ **David Dunbar**, formerly finance and administration director of Brown & Root, has been appointed a director of the WEIR GROUP.

■ **Christopher Green** has been appointed deputy md of PATERSON ZOCHONIS.

■ **John Warwick**, formerly head of civil and engineering division at Thyssen GB, has been appointed production director of COAL INVESTMENTS.

■ **Richard Handover**, formerly md of Our Price, has been appointed md of W.H. SMITH News on the retirement of Bob Simpson.

■ **John Crowther**, formerly md, has been promoted to chief executive of VICKERS Defence Systems.

■ **Patrick Dineen** has been appointed chairman of IRISH STEEL.

BM picks Bespak's finance director

BM Group, the engineering company which fell heavily into the red last year, yesterday announced the appointment of Alun Hicks as group finance director.

Hicks, 44, leaves Bespak, the medical equipment manufacturer, having served as finance director for six years.

BM has been without a finance director since the resignation of Carl Young in September. The group almost collapsed last year when it breached covenants on interest cover and net assets; it had built up substantial debt following a series of acquisitions.

BM has subsequently sold most of the Blackwood Hodge businesses leaving the group with process engineering operations and a product manufacturing division.

In March, after reporting further write-downs and losses of £14.2m pre-tax for the first half, the company said it expected debt to represent less than 90 per cent of the £58m (£60.2m) in shareholders' funds by the end of the year. Shares, which closed at 34p yesterday, have fallen sharply from a high of 863p in 1991.

Cliff Walker, BM's chief executive, says Hicks was joining the company as its restructuring neared completion and would "participate in BM's continued recovery".

Hicks has overseen a difficult period at Bespak, which saw a 38 per cent fall in pre-tax profits from £11.5m to £7.1m last year. Shares, which closed at 265p yesterday, were trading at over 500p a year ago.

Open door for Hopwood at Atreus

Geoffrey Hopwood, 48, has been appointed chief executive and given the task of restoring the stock market credibility of Atreus, the shower screen and mirror company which was floated on the stock market in March 1993 but failed to live up to its early promise.

Rodney Harnett, the chairman who brought the company to the market, and his finance director, Gerry Ceclich, both resigned earlier this year following a surprise profits warning.

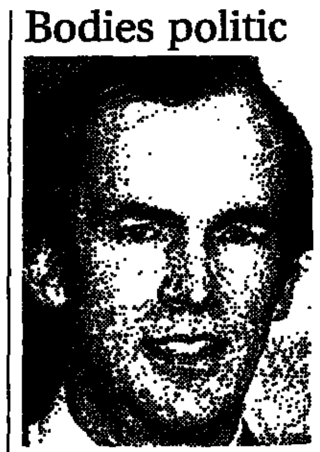
The shares, which were floated at 20p and rose to 28p at one stage, have been trading at 12½p recently.

Charles Gillam, chief executive of Turnpyke Group, took over as chairman in the spring, and Andrew Muir, 54, a former finance director of Shanks & McEwan, has been appointed as the new finance director.

Hopwood, a Manchester Business School MBA, has spent much of his career in the building products sector. He was general manager of Marley Buildings' buildings division and managing director of Henderson Group's industrial doors division.

Hopwood, who had been interested in arranging a management buy-in at one stage, said yesterday that the previous management had tried to go off in too many directions too quickly. The company had a good brand name and he hoped that it would benefit from a "steadier hand". Bruce Ledwith and David Howarth, the two founders of the company who retain substantial stakes in the business, continue as executive directors.

Bodies politic



Rupert Pennant-Rea, deputy governor of the Bank of England, has been appointed chairman of the steering committee of the London School of Economics' financial markets research centre.

Pennant-Rea (above), a former editor of The Economist, has taken over from Sir David Walker, the first chairman of the LSE's financial markets group. The group, which undertakes basic research into the nature of financial markets and their links with the flow of savings and investment in the domestic and international economy, has always had close ties to Britain's central bank. Sir David is a former executive director of the Bank of England and Mervyn King, the Bank's chief economist, helped set up the group in 1987.

The group, which was launched with funding from City sources, has recently been awarded a £1.3m funding package from the Economic and Social Research Council which will result in it being designated an ESRC research centre.

■ **Lord McColl of Dulwich** has been appointed president of The HOSPITAL SAVING ASSOCIATION in succession to the late Lord Cottesloe.

■ **Gary Cohn** of Goldman Sachs Futures has been appointed a director of The LONDON METAL EXCHANGE.

■ **Alan Jenkinson**, deputy chairman of Noble Lowndes Trust Corporation, Scottish Pension Trustees and English Pension Trustees, has been appointed president of the SOCIETY FOR PENSION CONSULTANTS.

■ **Geoffrey Kitt**, a partner at Touche Ross Management Consultants, has been appointed president of the INSTITUTE OF MANAGEMENT CONSULTANTS.

Cinema/Nigel Andrews

Warmed-up leftovers

One film with a special set of characteristics is an accident. Two with the same set is a coincidence. Three is a starting gun to the world's trend-spotting film critics.

Pausing only to grasp their essay pens, they hurtle into action, hypotheses flailing. *Maverick*, *The Beverly Hillbillies* and *The Flintstones* – three movies based on old American TV series, opening this week and next in Britain! This must mean that western popular culture is undergoing an important new spasm.

If only. But if the large screen is raiding the small, it is no more than a twitch on a now well-established graph line. Where were these "Eureka!" critics while the skies were raining *Batmans*, *Star Treks* and *Addams Families*? In Hollywood, as we in the 1990s surely know, the sons and daughters of yesterday's couch potatoes are today's popcorn fodder.

The new TV adaptations, like the earlier ones, each take a once popular series that rejoiced in skimpy production values and give them the big-dollar treatment. And each trusts that a freshly campy approach to material that was already tongue-in-cheek will be hailed as the New Sophistication.

What we have in *Maverick* is two hours of the new smugness. The 1960s tele-series, starring James Garner as the poker-playing dandy with the wry, rictus grin and the six-gun concealed in his corset, was a noted insomnia cure in its own right: although today's critics are already canonising its halcyon charm. *Maverick* the movie kicks Mr Garner upstairs – into the role of senior gunfighter – while passing Mel Gibson the smirk, the suit and the stack of cards.

Can our hero win the ultimate poker tournament to be held aboard the ultimate Mississippi steamboat? Can he *get* to the steamboat, past a narrative obstacle course containing Red Indians, enemy gamblers, sudden guest stars (James Coburn) and thieving saloon beauties (Jodie Foster)? Not to mention all those slapstick fight scenes, in which every bullet or blow of fist solicits an audience chortle.

"It's not unlike the *Lethal Weapon* movies," Gibson has said in interviews: in case we thought that the film was based on exhaustive historical research. This Bret Maverick quips, smirks and double-takes; he turns on and off the sudden violence; and he is directed by *Lethal*'s very own Richard Donner

MAVERICK (PG)
Richard Donner

THE BEVERLY HILLBILLIES (PG)
Penelope Spheeris

MA SAISON PREFEREE (15)
André Techiné

GYPSY (U)
Emile Ardolino

RENAISSANCE MAN (12)
Penny Marshall

with *Lethal* buddy Danny Glover popping up in a two-second bandit cameo.

Elsewhere we have a funny bit about politically correct Indians; a funny bit about a runaway stagecoach; and another funny bit about a sackful of rattlesnakes at a lynching. The problem with these funny bits is that for the most part, as directed by Donner and scripted by William (*Butch Cassidy And The Sundance Kid*) Goldman, they are not funny. The only thing that held my attention throughout was Miss Foster. Can Our Lady of the Silent Lambs, I wondered, stretch her range do a knockabout comical role? Not quite. But unlike the rest of the rheumatic reflex artists around her, she does try.

The press show of *The Beverly Hillbillies* saw at least one early walk-out from a critic. But who am I to wag a finger? I kept falling asleep. I dreamed that a jalopyful of peasants with twanging accents journeyed to Beverly Hills, after striking oil in the Arkanas backwoods, and became enmeshed in a chaotic plot about evil businessmen (Dabney Coleman), shape-changing secretaries (Lily Tomlin) and sudden guest stars (Buddy Ebsen).

Ah – that *was* the film? And there was I thinking I was still in *Maverick*; or that my dreams urgently needed a new scriptwriter. This film employed no less than four, none of whom seems to have been able to come up with an original comic moment. Jim Varney, Cloris Leachman and Diedrich Bader are among the Ozark-accented muggers. And the director is the once-promising Penelope (*Suburbia*, *Dudes*) Spheeris.

★

Elsewhere in this non-improving week, you have a choice of female monuments. After watching *Ma Saison Préférée* and *Gypsy* on the same day – let us call it Black Monday – a terrible urge came upon me to swap the female leads.

The French film's glacial, torpid study of a brother-sister relationship riven by love-hate – he (Daniel Auteuil) is a tormented, philandering brain surgeon, she (Catherine Deneuve) is a repressed public notary – would surely be livened up if we replaced Deneuve with Bette Midler? And *Gypsy*, a loud, stagy rehash of the Styne-Sondheim musical, might have a surreal charm if Hurricane Bette as Gypsy Rose Lee's all-singing, all-screaming stage momma were replaced by ice-cool Catherine.

She would delicately urge her daughter to enter the lower depths of show business, invoking the cultural precedent of Toulouse-Lautrec or the fruitful existential anguish of Juliette Greco. Meanwhile Midler would be found somewhere in France, raising vocal hell: a banshee let loose in the *banlieu*.

Instead the two stars stand around firming up the clichés of their respective vehicles. André Techiné's listless chamber drama embodies everything bad about modern French cinema. Its tasteful lesson in family tension, full of pinched-nerve emotions and pseudo-profundities, resembles a TV day-time soap rewritten by André Malraux. And Deneuve is as elegantly dull as only she today can be. A once expressive actress – remember Polanski's *Repulsion*? – is now cast forever as the First Lady of French cinema.

If Hollywood had a star as inanimate as this, they would consign her to stand-in work for the Columbia torch lady. What France, in turn, would do with La Midler we can only guess. Position her, perhaps, at the entrance to the Channel Tunnel as a warning to all French people going west: "Apres ça, le deluge." In *Gypsy* Midler bawls, screams, wheedles, cries, laughs and occasionally sings. The rest of the cast, including Cynthia Gibb's pretty Louise and Peter Riegert's perky Herbie, are wiped out. For Midler in this form is not so much an actress: more an exploding barrage balloon with teeth.

By default the week's best film is *Renaissance Man*, which in a good week might be the worst. Danny DeVito, failed advertising man turned supply teacher, instructs six backward army cadets in the delights of *Hamlet*. They rebel; they hellraise; then finally – what else – they knuckle down and come to love the Bard. By final curtain they have all turned into G. Wilson Knights and are changing the face of Shakespeare interpretation.

You have to love a film like this. It is foolish, sentimental, and as directed by Penny Marshall (*Awakenings*) earnestly inspirational. But at least it is not based on a TV series, does not star Mel Gibson and does not lean for support on a once-great diva past her prime.

James Garner's smirk, suit and stack of cards is passed on to Mel Gibson (above, with Jodie Foster) in 'Maverick' the movie

Musical/Alastair Macaulay

She Loves Me

It is true to say that the 1963 musical *She Loves Me*, now revived at the Savoy, is by far the best musical in town, but it is not enough to leave it there. It is the kind of musical nobody writes any more; and it is all too possible that people today will be too sophisticated to take it seriously. Who cares about staff squabbles in a Budapest parfumerie and two correspondents in a Lonely Hearts Club? Who cares about innocent charm? Well, thanks to *She Loves Me*, I do – and I am not alone. I would gladly swap the whole of Lloyd Webber and Sondheim for it. Its scale is miniature, but it is radiant with rhythm, vitality, and human variety. No, it is not a great musical, but it is exceptionally dear.

Though there are several highly effective hits here for the leading four characters, I believe that this musical's spell really lies in its ensembles. The action begins, so simply, with shop assistants arriving at work, singing "Good morning," "Good day," "Isn't this a beautiful day?" "How are you this beautiful day?" – which could be cloying, (the lyrics are by Sheldon Harnick), save that the words are so timed by Jerry Bock's music that their good manners become intoxicating. Somehow, Bock catches the rhythm of shop life and the way that assistants have to suppress their sincerer emotions behind the brio of salesmanship. Wonderful.

The music draws on a wide panoply of rhythms, and it is this, above all, that make Amalia and Georg (the two parfumerie assistants who do not realise that their anonymous Lonely Hearts correspondence is with each other) large to us. Not only them, but also Miss Ritter (who keeps falling for the wrong man) and even Mr Kodaly (who makes a career out of being the wrong man for whom women fall) and their whole milieu, down to the ingenu delivery-boy Arpad. How judicious the way the emotionally perilous tango of the cafe where Amalia waits to meet her correspondent for the first time suddenly switches into a hysterical Viennese waltz as she sends Georg packing; how witty the way Miss Ritter's big number, "A Trip to the Library", begins as a bolero and then changes into a quickstep.

The West End staging almost exactly reproduces the 1993 Broadway revival, but the opening-night performance here was certainly fresher than the midweek-matinee I caught of the latter this February. One can find some fault with the two leads, though the audience certainly seems not to. As Georg, John Gordon-Sinclair not only carries no hint of the supercilious pride of which Amalia initially accuses him, he also overdoes the character's gaucherie; and, as Amalia, Ruthie Henshall tends to a certain hard-boiled glassiness around the smile, eyes, and high notes. He is dynamically a bit slack, and her singing would be more engaging if she did not squeeze into her vibrato and if she conceived each number with a surer sense of its overall architecture. A few of their numbers – notably "Tonight at Eight" and "Where's My Shoe?" – are too obviously choreographed for cute effect (rather than for emotional sincerity).

But the bright gleam of her voice is a rare pleasure in musicals today, and the freshness with which she inflects the lyrics ("Will wonders never cease?") is winning. She and Sinclair perform with exemplary manners as part of a larger ensemble, and they catch both the pathos and the comedy of their characters' situations.

The most successfully re-thought characterisation is Tracy Bennett's as Ilona Ritter. She not only catches just the right amount of caricature in this weary good-time girl, she also packs her full of big-time vigour. In her "Library" hit, she delivers "He read to me all night long" on an ecstatic climax and immediately adds "Now how about that?" in a glowing murmur: adorably funny. Gerard Casey, David de Keyser, Simon Connolly, Barry James, and David Alder all contribute good performances. My only serious problem is with the exaggerated facial expressions of Jon Peterson as the Busboy (much better played deadpan), and Robert Scott's sometimes slack musical direction. Scott Ellis's direction, Tony Walton's set, and Rob Marshall's choreography sometimes combine to make the show more neat and cartoon-like, and less touching than it really is.

But the whole production has just enough poignancy and bags of flair. This musical has the kind of charm that others have been trying to banish from the genre for decades now. At its heart lies real heartbreak, as well as good manners and comic vitality: an enchanting confection.

At the Savoy Theatre (071-836 8888).

Alastair Muir

An enchanting confection: John Gordon-Sinclair and Ruthie Henshall

Theatre/Martin Hoyle

The Country Wife

In the mid-1980s a run of Wycherley's *The Country Wife* at Manchester's Royal Exchange Theatre dazzlingly summed up that decade's attitudes through the prism of Restoration comedy. Nicholas Hytner's strutting, rapping production portrayed a predatory jungle where people are commodities, where the innocent survive only by learning duplicity, and where the clowns in authority are not only buffoons but can be brutes as well. It worked. Above all, though it disturbed, the production's sheer swish, style and swagger were exhilarating. The Royal Shakespeare Company now brings what is, incredibly, its first *Country Wife* from Stratford (premiered last August) to The Pit. What does director Max Stafford-Clark see in the play for the sober and grim-faced 1990s?

Chiefly, sobriety and grimness. A visually conventional production (the only anachronisms are the modern-looking banknotes oiling the intrigue, and Horner's skin-tight Lycra breeches) has been decked out with a needless new prologue (by Stephen Jeffries) and songs by Ian Dury and Mickey Gallagher that are unnecessary to the point of embarrassment. And nobody seems to have told some accomplished actors how to play comedy.

This is glaringly apparent in the pivotal relationship between the over-protective Pinchwife, suspicious of London's debauched society, and his naive spouse, a rustic fruit ripe for plucking. Robin Soans presents neither a comically jealous clown nor a grotesquely possessive jailer but a well-spoken little man who at times seems the most reasonable person on stage: a basically correct man whose virtue, taken to impracticable extremes, topples him into social unacceptability. All comedy must be played straight, consistently and true to its context; but this Pinchwife is given no context. When he threatens to stab out his wife's eyes or "write whore with this pen-knife on your face" the words are neither frightening nor funny, since the character exists in a vacuum.

This is particularly hard on Debra Gillett who in other circumstances might prove an outstanding Margery. Round-faced and saucer-eyed, she makes a droll boy in her masculine disguise, and works hard to play her scenes as comic though often with no support from a partner who has apparently been directed otherwise.

Pinchwife's new reasonableness, in a character usually depicted as a boor and a bully, naturally necessitates some adjustment in his rivals and competitors. The nearest thing to romantic interest, Harcourt is played by Jonathan Phillips with a cold, calculating urgency that suits a conniving machiavel more than a dashing lover. Horner, the compulsive lecher, is not, by definition, moderate; but he should at least give some inkling as to his irresistible appeal to women. The excellent Jeremy Northam has incisiveness, intelligence, voice and physical presence, but nary a glimpse of charm apart from those Lycra breeches. And when the production comes up point blank against an inescapeably comic figure, it falls flat. The usually sensible Simon Dormandy makes Sparkish a stereotype fop. Such characters can be made to come to life: one thinks of the RSC's own Simon Russell-Beale. No, the 1990s, whether cynically disillusioned or thoughtfully caring, still await a *zeitgeist* production of Wycherley's great comedy.

At The Pit (071-638 8891).

INTERNATIONAL ARTS GUIDE

FESTIVALS

■ BATIGNANO

This year's opera festival (July 23-Aug 12) includes performances of Don Giovanni. Details from Musica Nel Chiostro Santa Croce, 58041 Batignano, Commune di Grosseto, Italy (056-438096)

■ GLYNDEBOURNE

The new theatre has made a cracking start with Le nozze di Figaro starring Reneé Fleming and Alison Hagley (final performance tomorrow), Graham Vick's new staging of Yevgeny Onegin with Yelena Prokina as Tatyana (final performances tonight, next Wed and Sun) and a revival of Glyndebourne's classic production of The Rake's Progress in David Hockney's sets (July 16, 21, 27, 30, August 2, 5, 8, 11, 14). These have now been joined by a new production of Don Giovanni, staged by Deborah Warner and conducted by Simon Rattle, with a cast led by Gilles Cachemaille (July 17, 22, 26, 29, August 1, 4, 7, 10, 13, 16, 19, 21, 24). Trevor Nunn's 1992 production of Peter Grimes is revived on July 31 with a cast headed by Anthony Rolfe Johnson and Vivian Tierney (0273-541111)

■ LUCERNE

Under Matthias Bamert, Switzerland's premier music festival has taken on an adventurous slant. Focal points this year (Aug 17-Sep 10) are a 70th birthday tribute to Swiss composer Klaus Huber and a wide-ranging exploration of the way music is interpreted. Four different performances will be built around Schubert's Winterreise, including a new opera. There will also be a series of offbeat events breaking all the rules of traditional concert form. (041-235272)

■ MACERATA

This year's operas are Carmen (July 16-August 11), La boheme (July 23-August 12) and L'elisir d'amore (August 4-13). The Bizet, conducted by Alain Guingal and staged by Gilbert Deflo, has changing casts including Denyce Graves/Lucia Valentini Terrani in the title role and Neil Shicoff/Fabio Armiliato as Don José. Giusy Devinu sings Mimi in the Puccini, and the Donizetti cast is headed by Valeria Esposito, Pietro Ballo and Enzo Dara (0733-230735)

■ MARTINA FRANCA

This year's operas (July 23-Aug 7) are Bellini's La Sonnambula, Puccini's Le Villi and a rare hearing of Amor vuol sofferenza by 18th century Italian composer Leo Leonardo. Details from Martina Franca Festival della Valle d'Itria, Palazzo Ducale, 74015 Martina Franca, Italy (080-705100)

■ OSLO

Founded by Norwegian violinist Arve Tellefsen in 1989, the Oslo Chamber Music Festival has quickly won a reputation for conviviality and musical quality. Concerts take place in churches, castles and concert halls around Oslo, with each year's programme focusing on a different country. This year (Aug 5-13) is Britain's turn, with music ranging from Byrd and Bridge to David Matthews and Oliver Knussen. The Nash and Hilliard Ensembles are taking part, while Truls Mork will play Elgar's Cello Concerto and Yuri Bashmet gives a viola recital (2255 2553)

■ PERALADA

The gardens of this Catalan castle north of Barcelona are the setting for an annual festival of opera, dance and concerts. This year's programme (July 29-Aug 23) includes a song recital by Katia Ricciarelli and productions of Rossini's Il Turco in Italia and Stravinsky's The Soldier's Tale. Details from Festival Internacional de Musica Castell de Peralada, Pere de Montcada 1, 08034 Barcelona (03-280 5868)

■ PESARO

This exquisite walled town on the Adriatic was Rossini's birthplace. Each year it brings together genteel lovers of the Italian maestro's music, who come to explore some of his lesser-known operas, alongside bucket-and-spade beach-goers. This year's programme (Aug 11-29) includes a new production of the one-act dramma giocoso L'inganno felice, staged by Graham Vick and conducted by Carlo Rizzi; a revival of the 1992 production of Semiramide, with Roger Norrington making his Pesaro conducting debut; and L'Italiana in Algeri starring Jennifer Larmore (0721-33184)

■ RAVENNA

This north Italian town is Riccardo Muti's home, and he has become the main force behind the annual festival. He will conduct a staged production of Norma with Jane Eaglen in the title role (July 16, 19, 21 and 23), and also Verdi's Requiem on July 20 and 22 (0544-32577)

■ SANTA FE

Graham Vick's new production of Die Entführung aus dem Serail opens on Saturday. This year's other new productions are Tosca, directed by John Copley, with Mary Jane Johnson in the title role (continuing till Aug 27) and Il barbiere di Siviglia directed by Francesca Zambello, with Delores Ziegler as Rosina (till Aug 26). Zambello also produces the American premiere of Judith Weir's Blond Eckbert (July 30-Aug 12). Göran Jarvefelt's 1984 production of Intermezzo is revived on July 23, with Sheri Greenawald and Dale Duesing as the Storchs. And the pleasures of the place itself never pall (505-986 5900)

■ SAVONLINNA

No one who visits Finland's premier summer festival can fail to be impressed by the stone castle courtyard in which it takes place. Poised on the edge of a lake, Olaf's Castle (Olavinlinna) is an outstanding outdoor location for opera. The 1994 programme, which opened last week, is one of the least distinctive of recent years, with revivals of last year's successful production of Verdi's Macbeth (till July 19), the evergreen Die Zauberflöte (final performance tomorrow), and a visit from the Hungarian National Opera. One of the more eye-catching events is a student production of Yevgeny Onegin in the final week. The festival runs till July 30 (057-273492)

■ TORRE DEL LAGO

The open-air Puccini festival near Viareggio on the coast of Tuscany runs from July 23 to Aug 13, and includes performances of La fanciulla del West, Turandot and La boheme (0584 350567)

■ TORROELLA DE MONTGRI

Torroella de Montgri is a small Catalan town six km from the sea on the Costa Brava, but it is not primarily a tourist resort. The town is architecturally typical of the Empordà, and is set in beautifully natural surroundings. The summer music festival, continuing till August 26, mixes Spanish artists of the calibre of Giacomo Aragall and Jordi Savall with international guests such as the Franz Liszt Chamber Orchestra and the Choir and Orchestra of the St Petersburg Capella (072-761098)

■ TANGLEWOOD

For more than 50 years, The Boston Symphony Orchestra's summer home has provides a relaxed setting for concerts in the Massachusetts countryside. This weekend's concerts are conducted by Mariss Jansons and Seiji Ozawa, with soloists including André Watts, Midori and Peter Serkin. The festival runs till Sep 4 (Ticketmaster Boston 617-931 2000 Western Massachusetts 413-733 2500 New York City 212-307 7171)

■ VADSTEJNA

Vadstejna's opera festival takes place in the historic buildings of this medieval town 250 km south-west of Stockholm. The second production this year is The Various Adventures of Mrs Björk, a tragi-comedy by Swedish composer Staffan Mossenmark based on a novel by Jonas Cardell, from 28 and runs till August 12. There will also be an opera gala in the Vadstejna Castle courtyard on August 7 (Tickets 0143-10094 Information 0143-12229)

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals guide.
Thursday: Festivals guide.
Friday: Exhibitions Guide.

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NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

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NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Will the real Jacques Delors stand

BOOK REVIEW

Last week Jacques Delors admitted on French television that he was rather flattered by all the fuss surrounding the choice of his successor as president of the European Commission.

As well he might be. Last month the UK government paid him the tribute of declar*ing that so important had* Delors made the presidency of the European Union's execu*tive that it was ready to risk a* serious row with its European Union partners over who *should fill his shoes.*

And it is a British journalist who has paid him the compli*ment of writing the first seri*ous book about him. Some skimpy tomes about Delors have appeared in France, but none is the Compleat Delors that Charles Grant has produced. It is, of course, Delors' decade in Brussels which has made him famous, and on which Grant, as former Brussels correspondent for *The Economist*, might have been expected to focus most. But Grant has also delved meticulously into Delors' French upbringing and political career, and served up a mixture of personal juice and intellectual fibre that makes for a most satisfying meal.

What most intrigues Grant, and Delors' friends and enemies, are the man's contradictions. "He is a socialist trade unionist who once worked for a Gaullist prime minister and who describes himself as a closet Christian Democrat. He is a practising Roman Catholic who takes moral stances and claims not to be ambitious; yet he is a crafty political tactician who enjoys power and has held the Commission in an iron grip. He is a patriotic Frenchman with a vision of a unified Europe."

Thus, one face of "Janus" Delors is genuine modesty – he was the only socialist minister in the early 1980s to live in a working-class part of Paris, and as Commission president he sometimes takes meals with his chauffeur and bodyguard. His other visage is that of the haughty Eurocrat, telling national governments in 1988 that "in 10 years' time 80 per

DELORS: Inside the House that Jacques Built
By Charles Grant
Nicholas Brealey, £12.99, 310 pages

cent of their economic legisla*tion will come from the EC*", or telling French opponents of Maastricht in 1992 to "get out *of politics*". *Such careless out*bursts contrast with Delors' extraordinarily careful *approach to important Euro*pean negotiations.

Most of Delors' main *achievements are well known* – keeping France, when he was its finance minister, *within the European Monetary* System; playing a leading role in pushing through the 1986 Single European Act and increased use of majority voting that paved the way for Lord Cockfield's single market programme; and the launching of the move towards economic and monetary union (Emu).

Grant is very revealing about the way that Delors has always paid court to Germany in general and to Chancellor Kohl in particular, though one German, Karl-Otto Pöhl, the former president of the Bundesbank, now regrets he sat on the Delors' committee whose 1989 report paved the way for Emu. "If I had boycotted [the committee], I could not have stopped the process, but I might have slowed it down," Pöhl has since told Grant.

But this book also usefully recalls two other achievements. One is how Delors, by pushing through his EU budget packages of 1988 and 1992, has spared the Union, up until 1999, the mind-numbing arguments over money that prevailed before 1988. The second is the European Economic Area (EEA). Delors' aim in proposing this extension of the single market was to discourage a rush of members from the European Free Trade Association applying to join the EU as full members. In this, he did not succeed. But should the Nordic countries fail this year to get their peoples to approve EU membership, they will at least have the EEA to fall back on.

On the minus side, Grant records Delors' disappointment in not getting the EU to adopt his "Euro-Colbertist" schemes for more R&D spending, and contrasts that failure with the success, largely unwelcome to Delors, of the tougher EU competition policy that Sir Leon Brittan and Peter Sutherland imposed. For the most part, however, Delors and his "mafia" got their way in Brussels, frequently riding rough*shod over others. Grant finds* major fault here. "By the end of his reign, Delors' personal *system of command and con*trol had begun to damage the Commission's internal organi*sation, sap the enthusiasm of* its officials and contribute to the tarnishing of its image." If *that sounds a bit like Mrs* Thatcher's eventual impact on her own government, Grant intends it to be so. For, in a comparison neither would appreciate, he likens Delors to Thatcher in his "attention to ideas and implementation, to ideology and to detail, to principle and power".

How does Europe stand after Delors? Grant, perhaps wisely, offers few predictions, except to say that Delorism/federalism will live on to do battle with Thatcherism/Gaullism in the EU's 1996 review of the Maastricht treaty.

He provides more clues about Delors' own future. Delors' wife, Marie, apparently does not want him to run for president of France, while Delors seems to believe his daughter, Martine, a former socialist minister, has a better chance of entering the Elysée one day than he has. But the vacuum created in the Socialist party by Michel Rocard's abrupt ousting could yet suck him into France's presidential election campaign.

So will Delors chance his hand for another kind of presidency? Grant records Delors' ambivalence about elected politics, and the attitude of the one man who might prevail on him to run – François Mitterrand. In the words of an Elysée aide, Mitterrand "has a Darwinian view of the world: people must cope on their own and take their chances. He won't arrange Delors' political career for him. Delors has always been appointed to jobs, but the one job you're not appointed to is the presidency. Mitterrand is not going to send for him with four horses and a chariot".

Well-oiled, but still creaking

Economic pressures are building as Nigeria ponders its constitutional future, says Paul Adams

Nigeria's embattled military regime today faces its most serious test since General Sani Abacha seized power last November.

In the high court in the capital of Abuja, Moshood Abiola, millionaire businessman and victor in last June's annulled presidential poll, will mount his latest and most public challenge to the soldiers' authority.

Last month Mr Abiola, comfortable winner in elections intended to return Nigeria to civilian rule for the first time since the military took power in 1983, defied the government and claimed the presidency.

Arrested shortly after a spell in hiding on a charge of treason, Mr Abiola, a southerner whose *Moslem faith gave him* some standing in the predominantly Moslem north, will *today seek bail.*

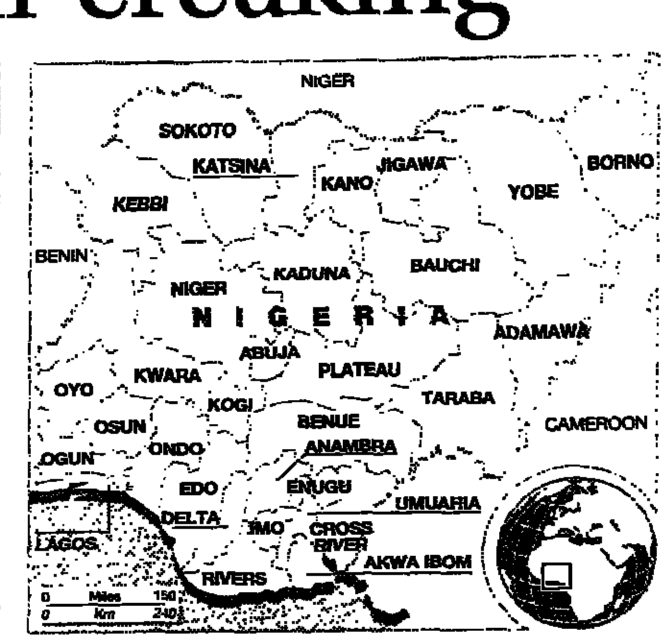
Few observers think he will be successful. But from the *public platform of the court,* Mr Abiola's lawyers may turn the occasion into what *amounts to a rallying call for* opposition. His legal plea could strain the stability of Africa's *most populous nation*, the world's sixth-largest oil exporter, and Europe's largest trading partner in sub-Saharan Africa apart from South Africa.

Already a sympathy strike by workers in the oil industry is gathering pace and may spread to other unions next week, but the strains go wider and deeper. The crisis is not just over a millionaire's ambition, or over soldiers clinging to power. After 34 years of independence, three new constitutions and half a dozen military coups, Nigeria has yet to develop a stable system of government which adequately shares the power and wealth derived from exports of 1.7m barrels of oil a day among more than 200 tribes and 90m people.

The crisis is about Nigeria's capacity to govern itself, and manage its recovery from an economic decline as steep as any on the continent. External debt exceeds US\$34bn, and is rising at a rate of \$6bn a year. An *economic reform* programme launched with the backing of the International *Monetary Fund in 1986 had* begun to falter by 1990. When the January 1994 budget introduced a fixed exchange rate, the main pillar of reform – a market-driven exchange rate – was abandoned.

Meanwhile, the spectre has arisen of religious and ethnic rivalry between the largely Christian, Yoruba-dominated south, and the predominantly

Moshood Abiola: challenge to military authority Colin Beere



Moslem, Hausa-Fulani north.

Whether these economic and political strains can be resolved depends partly on the outcome of proceedings under way not far from the high court in Abuja.

Some 360 delegates have gathered nearby at a constitutional conference initiated by the government and with a qualified mandate from Gen Abacha to define a path to democracy by the end of October, subject to the military's approval. About 270 of the delegates were elected in *ill-pre*pared polls in which few people voted, and the rest were *nominated by the government* to debate the country's constitutional options.

Mr Abiola and his supporters say the answer is simple: hand over power to the man who won *the only presidential elec*tion since civilians were ousted in 1983. For the past decade there *has been a constitution,* but governments have ignored it, they argue.

*They charge that the confer*ence has no real power, is unrepresentative, needs only a *third of the delegates to make* a quorum and will be manipulated by the military to produce the result the regime wants. Much will depend on the skill of Mr Sylvanus Karibi-Whyte, a judge who has been seconded from the United Nations commission on war crimes in former Yugoslavia to chair the conference.

According to government advisers, the military wants three issues resolved at the gathering: last June's election; a formula for the distribution of revenue among the states of the federation; and the role of the military in Nigeria's future leadership.

The government hopes the conference will give legitimacy to the transition to civilian rule *it is due to* announce next year, when the ban on political parties is lifted. It also hopes to *appease* the US *and* the European Union, which have imposed limited diplomatic and *military* measures *against* continued military rule.

The conference could also be *a way for the government to* neutralise support within the armed forces for the Lagos-based *national democratic* coalition which championed the cause of Mr Abiola.

*But no clear direction or lea*dership is likely to emerge from the wide range of interest groups represented at the conference. Among the delegates are sacked ministers, retired state governors, banned presidential candidates and ex-senators from a national assembly dissolved twice in more than a decade of military rule. Political leaders in the south-west, in support of Mr Abiola, boycotted the conference, leaving the Yorubas represented only by political lightweights.

The north sent some powerful politicians, including Mr Shehu Yar'Adua, a previous *presidential contender, who is* expected to use the conference as a dry run for the formation of *his* own party *next year.* One surprise delegate nominated by the government was *Mr Umaru Dikko, who until* last month had been in exile after a previous regime tried to *kidnap him for trial on corrup*tion charges. Mr Dikko is seen as a counter-balance in the north to Mr Yar'Adua.

Few delegates will stand up for Mr Abiola. "The Abiola *issue will come up indirectly*," said one. "It is too late to uphold his right to the presidency. *That should have* been done a year ago. He is no longer acceptable outside his own *part of the country*." Mr Abiola's political enemies say he is an opportunist who lacks the backing of a united party and that when his victory was annulled his appeal was eventually reduced to his fellow Yorubas. Others accuse him of only supporting democracy when it suits him. The presidential candidates who were banned by former President *Ibrahim Babangida in 1992* are also hostile to Mr Abiola. They blame him for failing to speak *out against* the ban in his Concord newspapers group, shortly before he put himself forward as a *presidential* candidate.

Government sources say the regime is ready to concede a greater share of revenue to the oil-producing states to pacify their angry citizens who object to seeing most of the oil wealth go north or west. "We do not see it as just a north-south issue," says a newspaper publisher from the east. "The benefits between east and west are lopsided. Senior government posts are loaded in favour of the Yorubas and they do not want to change it."

As strikes threaten within days to curtail production of crude oil, the life blood of Nigeria's economy, the conference is starting to look irrelevant. Even if there is relief from the strikes, now spreading to water, electricity and other services, and the conference is a success, it can only make recommendations to the government which appointed it. Previous military regimes have shown no inclination to check the dominance of tribal over national interest and the growing centralisation of power.

"Nigerians' conception of the state is that of a national cake, in which all sections have to partake in the sharing, otherwise their area will be *neglected*," *according to* Mr Shehu Musa, a member of the civilian government in the *early 1980s and now a member* of the commission which helped to set up the constitu*tional conference. "Political* office has therefore produced a set of emergency millionaires *whose main preoccupation* in office was to loot the treasury and divert all development projects *to their kinsmen*," he said in a speech earlier this year.

This observation goes to the *heart of Nigeria's predicament.*

Its civil service is inefficient and demoralised, its educa*tional institutions* neglected, its youth disillusioned and its civilian leadership weakened and divided by regional, ethnic and personal rivalry.

In short, Nigeria will have to *overcome its chronic institu*tional weaknesses if it is to manage its recovery from a protracted decline. *Nothing* that will happen in Abuja is likely to change this.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Wrong route to reduce unemployment

From Mr Bill Morris.

Sir, With reference to your reports ("The Group of Seven summit", July 11) on the G7 summit in Naples, I very much welcome the fact that measures to bring down unemployment have at last been placed high on the international agenda after being spurned repeatedly during the Reagan-Thatcher years. Some of the G7 proposals for job creation are also to be applauded. However, I am concerned that so much emphasis *is being placed*, at least by the British government, on deregulation of the *labour market as a means of* achieving reduced unemployment.

All the talk of "reduced labour market rigidities, lower indirect employment costs and fewer regulations" can be translated as lower pay, more precarious employment contracts, worse health and safety and a weakening of social security. If the UK government hopes to convince the world's most advanced economies to adopt the path of deregulation as a means of creating jobs, its track record must surely undermine its credibility. After 15 years of deregulation, priva*tisation*, anti-union laws, reduced employment rights and the growth of low pay, we *have 3m unemployed* compared to 1m in 1979.

The low pay, low skill, low *productivity option simply* does not produce results. Moreover, the evidence is that abolition of the wages councils last year has produced lower pay; it has not produced more jobs. Perhaps politicians should reflect on three things before pursuing this argument:

1. The aim of economic activity is to produce decent jobs and a good standard of living – it is not an end in itself. The most successful countries have combined economic success with steadily improving social and employment conditions.

2. How far would standards have to be lowered in Europe so *that* we can compete on labour costs with Taiwan, Korea and China?

3. Surely, *one of the biggest* and most neglected *issues* facing the world is how to produce demand in the Third World which can be supplied both locally and from the G7. This can never happen while countries are hidebound by debt which they cannot afford to repay. The G7 countries will have to be far bolder and more imaginative than their proposals in Naples suggest if they are to break through *this* vicious spiral of debt and poverty.

Bill Morris,
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3i subscription rate implies good judgment

From Mr Jon Moynihan.

Sir, In a somewhat odd article ("Exco issue more than three times subscribed", July 12), Simon Davies appears to be implying that Exco's new issue on Monday was very successful, because it "was 3.2 times subscribed", whereas 3i's flotation last week was less successful, because it "was *only 1.1 times subscribed*". This point of view, apparently quite widely endorsed in recent *newspaper comment, misun*derstands the purpose of a flotation or rights issue, which is to gain *maximum* value *for* new shares issued for pre-issue shareholders of the company.

Since a greater than three times subscription means that, almost inevitably, one third of those *subscribing (all that was* needed) would have been prepared to pay a higher price for *the shares, we may deduce* that the Exco offer was at least somewhat unsuccessful in getting top price for its shareholders.

On the other hand, a 1.1 subscription rate implies that 3i and its advisers, far from being unsuccessful, judged nicely (even if possibly somewhat *too* finely) the highest price they could get.

The reason financial advisers are paid so much by their cli*ents in these transactions* is because they are expected to judge well the highest price *possible, commensurate with* full take-up. So it is clear that, on the only objective evidence *available. 3i and its advisers* have done extremely well, and Exco and its advisers not so well, *for those for whom this* exercise was conducted – the pre-issue shareholders of those companies.

Jon Moynihan,
group chief executive,
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'Jobs for life' were never the norm for Japanese

From Dr Malcolm Trevor.

Sir, It is unfortunate that the myth of "lifetime employment" has been trundled out again in the FT ("Fujitsu staff go it alone", July 12). Even in big Japanese companies it has never applied to the large number of temporary and part-time employees, who can be fired at any time. Small and medium-sized companies may revere it as an ideal, but cannot afford it – some 70 per cent of employees work in such companies.

Far from being the norm, "lifetime" employment, which *even some Japanese companies* are trying to rename "long-term" employment, probably applied to no more than 30 per cent of all Japanese employees at most – including those in government offices. In other words, only a minority has ever enjoyed the job security that it offers, at a price.

In the present recession, such large companies as Pioneer and TDK are making "permanent" staff redundant, while others are reducing the compensation of those who will not take early retirement. SME employees must, as usual, take their chances in an external labour market that is even harder than before.

While not denigrating the significance of "one career" employment in the large corporations as an instrument of control and as an ideology or idea with *considerable emo*tional pull, the fact is that this practice, which has only ever applied to *those at the top of* the pile, now applies to even fewer. While it would be an exaggeration to predict its *total* disappearance, a growing number of companies is finding it increasingly unrealistic.

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Panel concept a useful first step to restoring shareholder purpose

From Mr J R Brewer.

Sir, The shareholder panel concept outlined in the article, "With strings attached" (July 12), will doubtless be feared by *die-hard* captains of industry as the thin end of the Teutonic wedge in the shape of the supervisory board. Yet Professor David Hatherley's suggestion would bring the sort of informed and responsible involvement from a company's owners that would elude any centralised and bureaucratic audit commission.

Shareholders are the only people properly positioned as the source of ultimate authority and legitimacy of the corporate form, yet few understand that along with shareholder rights come the obligation to ensure that elected managements perform properly. The architects of the joint stock company could never have imagined that, 150 years after the Registration Act of 1844, shareholder influence would in so many cases be effectively debilitated by the imposition of investing institutions between the mind of the investor and the company into whose shares his money eventually flows. A shareholder panel would provide a useful first step towards restoring the corporation's legitimacy of purpose.

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FINANCIAL TIMES

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Thursday July 14 1994

Politicians and civil servants

The British civil service is justly famed for its impartiality and objectivity. Such qualities are essential both in the task of administering public services fairly and in providing high-quality advice on policy matters to ministers. Yesterday's white paper on continuity and change in Whitehall must therefore be largely judged by the degree to which it preserves a non-political civil service that can serve governments of any persuasion.

Much of the white paper contains good sense, extending to Whitehall the sort of management reforms already imposed on public services, such as health and education. Departments will be expected to improve the quality of the services they provide, with higher performance targets set each year as part of the Citizen's Charter. They will have to achieve these higher standards with frozen running cost budgets, putting strong pressure on managers to strive for efficiency.

To help them reconcile these conflicting demands, permanent secretaries are to be given much greater freedom to manage. Departments will take responsibility for the pay and grading of their staff, whose salaries account for more than half of civil service costs. The cash-based Whitehall accountancy system is to be replaced by resource-based accruals accounting, to improve the management of current and capital resources. Managers will be encouraged to draw on a range of management techniques, such as market-testing, benchmarking and process re-engineering, to raise their efficiency and effectiveness. Less day-to-day interference is promised by the central departments, the Treasury and the Cabinet Office.

Best practice

In principle, such reforms are welcome. They reflect best practice in the private sector. They have improved the quality of service in other parts of the public sector and may be expected to do the same in Whitehall.

Also to be welcomed are the proposals to open the upper echelons of the civil service to outsiders. The top managers in Whitehall who have come from business or other parts of the public sector have contributed much to improving standards. A greater interchange between the public and private sectors is desirable, and will be assisted by the advertising of top jobs. At the same time, young civil servants with ambitions to reach the top will be encouraged to acquire experience outside Whitehall.

The most controversial proposals in the white paper are those for putting some 3,000 top mandarins on personal contracts. The government has sensibly decided against short-term contracts that would inevitably politicise the civil service. But it has opted for indefinite contracts which spell out the rights and responsibilities of top mandarins more clearly. The carrot is higher pay for those that perform well; the stick is premature departure for the underachievers.

Increasing pressure

The white paper says that such contracts will put them on a par with their counterparts in other walks of life. That may be so, but it is not difficult to see undesirable consequences flowing from increasing pressure on civil servants to satisfy the demands of their political masters. Mr William Waldegrave, the donnish public services minister whose white paper it is, may welcome robust challenges from his civil servants. But other ministers appear less tolerant of intellectual dissent, as the recent premature departure of two high-flying permanent secretaries indicates. And there is no doubting the unhappiness among many senior Home Office mandarins over the home secretary's unwillingness to listen to evidence that casts doubt on the wisdom of his criminal law reforms.

If this reform is to go ahead, an independent appeals body is needed to which civil servants can turn if they feel they have been badly treated by their ministers. The present system of internal appeal up the management chain, ultimately to Sir Robin Butler, the head of the civil service, is inadequate. The fact that only one case has ever reached Sir Robin indicates that civil servants have little confidence in the procedure. If the public is to be assured that the government's shake-up in Whitehall will not politicise the civil service, a genuinely independent appeals body is essential.

America's near abroad

When 2,000 US marines are stationed off a Caribbean country "to protect American personnel", that country should know what to expect. Signals from Washington suggest, more concordantly than usual, that the countdown for an invasion of Haiti has begun.

At first sight this seems strange. Why should President Clinton decide on an invasion now, after 18 months of ducking and weaving and contradicting himself? A substantial majority of Americans opposes military intervention in Haiti. So do the Pentagon, at least part of the State Department, most of the Republican party, most other Caribbean and Latin American governments, many of the Americans still resident in Haiti whom the marines would ostensibly be protecting, and – in public, anyway – the ousted Haitian president whom an invasion would restore to power. Almost the only voices calling for an invasion are those of the black caucus in Congress and, increasingly, the inhabitants of Florida who fear an invasion of their state by Haitian refugees.

Already UN sanctions, imposed in May at the US's request, have cut off all legal commerce with Haiti and paralysed the economy of what is anyway the poorest country in the western hemisphere. Should these sanctions not be given "time to work" before a resort to force?

Sanctions argument

That argument, familiar from the build-up to the Gulf war, does not take account of the way that sanctions "work", if and when they do. Rarely if ever do they succeed on their own in persuading a government to change its policy, or even prompt its supporters to overthrow it. What they can do is to disorganise and demoralise a regime, gradually reducing its will to withstand a violent onslaught from within or without. In Haiti's case they have produced a renewed exodus of refugees. In the past the US sought to label these as economic migrants, in order to avoid offering them asylum. Now it attributes their flight to human rights violations. The latter are real and numerous, but there can be no doubt that destitution aggravated by sanctions is also a potent factor.

The US is desperately building temporary housing for the new refugees at Guantanamo, its naval enclave in Cuba, and seeking "safe haven" for them in other Caribbean countries, whose populations do not want them any more than Florida does. Mr Clinton cannot afford to let this crisis escalate indefinitely. Nor can he revert to a more conciliatory policy without making himself a complete laughing-stock. He has boxed himself into a situation from which invasion may be the only way out.

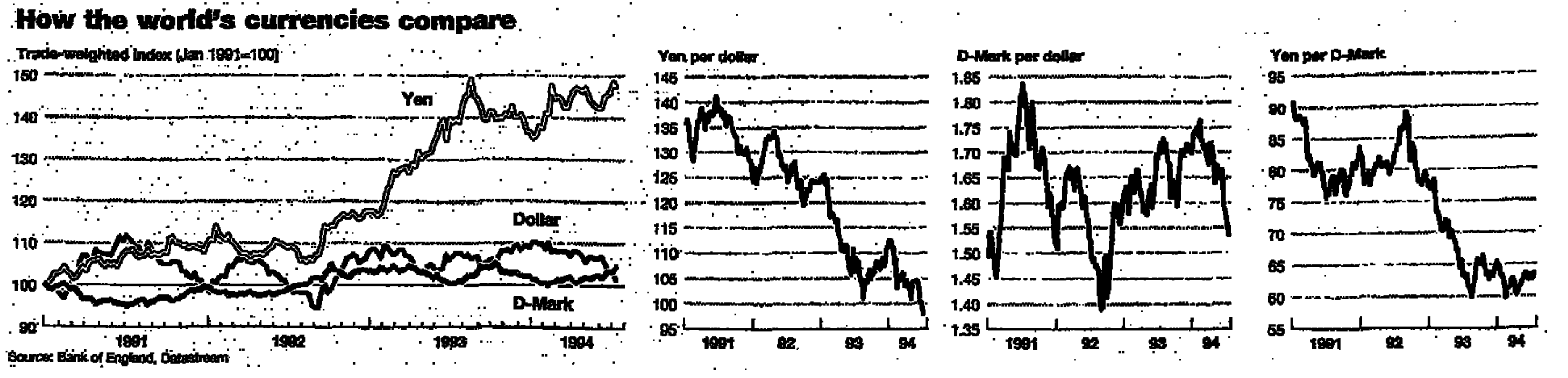
Popular enthusiasm

If it comes, it will probably be greeted with initial popular enthusiasm in Haiti. It will no doubt succeed in removing the three top military leaders and restoring President Aristide to office. But if it stops there, it will leave Mr Aristide with the problem that faced him before his expulsion in 1991: implacable opposition from the military and the ruling elite. Only a much longer occupation, which would purge and disarm the police and army down to NCO level and encourage the educated Haitian diaspora to return to the country, with a coordinated package of economic and technical aid, would give Haiti any real hope.

The US tried something like that in 1915, stayed for 19 increasingly bitter years and left the country little better off at the end of it. This time, following a precedent set in Somalia and now followed by France in Rwanda, it is looking to other countries in the hemisphere to relieve it, under UN auspices, once the initial, dramatic phase is over.

There might indeed be a case for making Haiti a UN protectorate or trust territory, as there would have been for Bosnia and might be for a dozen or more "failed states" in various parts of the world. There is certainly a case for any intervention being carried out under UN auspices rather than by a great power acting alone – if only because of the dangerous precedent that the latter would set. But the chances of an invasion being followed through with sufficient generosity and clarity of purpose do not seem good. There is still time for the Haitian junta to realise what is about to hit them, and to hand over power voluntarily before it does.

How the world's currencies compare



Source: Bank of England, Datastream

ECONOMIC VIEWPOINT

It's the yen more than the dollar

By Samuel Brittan

Intervention in the foreign exchange market by governments and central banks may or may not be justified. But to have a chance of success at least three criteria must be fulfilled:

- It must, if necessary, be massive. Nothing is worse than half-hearted intervention which merely gives the speculators a taste of blood.
- It must be multilateral. At the very least, the authorities of both the strong and the weak currencies should take part.
- It needs to be backed by domestic policies. Either the country with the weak currency should tighten its monetary policy – that is, increase interest rates – or the country with the strong currency should loosen monetary policy; or, best of all, both should move.

There was no chance of these conditions being fulfilled at the time of the Group of Seven summit at Naples in the case of the dollar. The German authorities were determined not to intervene to support the US currency. But the problem is more a dollar-yen one; and joint action by the American and Japanese authorities was not on the cards either.

The situation may always change if exchange rates move towards panic points – what these are have probably not been determined in advance. Central bankers are now under a lot of pressure to intervene to prevent "disorderly markets"; but they will simply be making capital losses for their countrymen unless they are to implement the three conditions. Anything less will be worse than useless.

Meanwhile, it would help to clarify thought if we could establish whether the main trend has been a weak dollar or a strong yen. In the aftermath of the recent inconclusive summit, market operators merely noticed the dollar falling against all-comers and the yen rising. But a longer, cooler look makes it clear that the main development has been a rising yen.

Indeed, the dollar has not been all that weak if examined over a reasonable period. There are many ways of demonstrating this fact. One of the most illuminating is to look at the track record of the dollar against the D-Mark.

In the early and middle 1980s, it was violently unstable. But since the much-maligned Louvre Agreement of early 1987, the exchange rate between the two currencies has rarely strayed more than 10 per cent on either side of DM1.6 to the dollar. Indeed, the dollar's rate against the D-Mark was more favourable the day after last weekend's Naples summit than it was at its 1990, 1991 and 1992 low points.

The relative stability of the dollar against the D-Mark thus suggests that the problems have come from the yen side. This is confirmed by looking at the yen's movement against the dollar, which is marked both by medium-term instability and a strong trend in favour of the yen and against the dollar.

An alternative way of showing the yen's strength, not involving the dollar at all, is to look at the yen/D-Mark exchange rate. This important, but neglected, cross-rate shows the D-Mark falling from a high of more than Y90 at the beginning of 1991 to a low of less than Y60 this year. The move can be seen as a 50 per cent appreciation of the yen, or a 33 per cent depreciation of the D-Mark. It has undoubtedly helped Germany to compete in world markets despite a post-unification upsurge in domestic costs.

These conclusions are confirmed by the trade-weighted indices. Contrary to popular impression, there has been little trend either way in either the D-Mark or dollar index in the last three and a half years. The yen, on the other hand, has shot upwards, although it previously reached something near to its present level in the summer of 1993.

Japan has had lower inflation than the other G7 countries, but the discrepancy has not been nearly enough to offset the rising yen.

One can argue how far US monetary policy needs to tighten, but Japanese monetary policy should loosen further

Profit margins have been squeezed and export prices have fallen severely in yen terms in 1993 and 1994. Yet whatever yardstick is chosen, the yen has had a large real, as well as nominal, appreciation in the last few years.

This appreciation has undoubtedly contributed to the severity of the Japanese recession. The retardation of gross domestic product has to be judged not just in relation to other countries, but in relation to the much higher trend previously seen in Japan.

If one looks at industrial production, such analytical contortions are unnecessary. The absolute fall here has been much greater in Japan than in both the US and Germany. There are some indications of a slight recovery; but it will have to go a very long way before the trend rate of growth is recaptured. Indeed, the OECD projections show Japanese growth as among the most sluggish of the G7 in the next couple of years.

The strength of the yen should put into perspective the facile belief that a currency's position is always closely linked with politics. For Japan has the most unstable government of all the G7 countries and the most uncertain political future, yet the strongest currency.

The continuing Japanese external surplus is not on its own a sufficient explanation either. There is nothing new in the high Japanese propensity to save. The novel factor, which is helping to pull the yen upwards, is the growing disinclination to invest the surplus abroad.

Irrespective of the precise diagnosis, the policy implications are pretty clear. Although it remains debatable when or how far US monetary policy ought to be tightened, it is clear that Japanese monetary policy should be loosened further. It will obviously help if Japan's finance ministry shelves indefinitely its plans for indirect tax increases to offset the recent direct tax reductions. But it is not enough to continue to rely on fiscal packages, which are seen as temporary.

It may be asked how Japan can loosen monetary policy further when the official discount rate since last September has been at 1¾ per cent – a post-1945 low – and three-month market rates have averaged about 2 per cent.

The discount rate can indeed be cut further and there are rumours that this is likely to happen. But if this is not enough, the short answer is to increase the supply of yen. If Japanese investors are not in a borrowing mood, the Bank of Japan can increase the supply of yen by issuing them to buy up dollars and other currencies in the foreign exchange markets (a process known as "unsterilised intervention").

The country with a strong currency that is gaining reserves has an open-ended ability to intervene, which it is well advised to use so long as it is more afraid of deflation than inflation. The onus is on Japan to depreciate the yen more than on the US to support the dollar.

The benefits of so doing would clearly make themselves felt to Japanese business. If the Japanese authorities can reverse the movement of the yen, the prices of internationally traded products in Japanese markets will start to rise. Thus, real interest rates may fall and could perhaps become negative, so helping economic recovery.

The needed US contribution is mainly political and psychological. If Washington does nothing, markets may fear that it will go back to its old policy of talking down the dollar against the yen for the sake of US exporters. Markets will also worry that American trade negotiators may make direct threats which will unsettle sentiment further. The statements from US commerce secretary Ron Brown are hardly reassuring here. So any gestures which show the US in support of Japanese actions will help.

Nor is there any reason to withhold this help. A monetary relaxation in Japan will give just the boost to the world economy and to American exports that Washington is supposed to be seeking.

Dear rural dweller, you must pay more

PERSONAL VIEW

The UK government's favoured option for the future of the Post Office – to sell 51 per cent of the Royal Mail to the private sector – is to be welcomed. It will give the Post Office management the freedom it needs to compete in the international communications market. At present the business is shackled by political restrictions, particularly access to new capital.

However, the proposal does not go far enough. For ministers have declared that the uniform charge for letter delivery will stay, whatever the outcome of the government's current review.

Undoubtedly it would be highly controversial if the common charge went. But it is difficult to see how competition can develop fully unless competitive pricing is allowed. At present the Royal Mail cross-subsidises within the letters business, a practice that is not compatible with big geographical differences in delivery costs in an unregulated competitive market.

The argument for cost-based charging is straightforward. At present, when services are priced below the true cost of supply, the value which marginal customers place on the service – as represented by the price they are willing to pay – is lower than the cost of the service in terms of the resources used to provide it. The opposite applies where services are priced above marginal cost.

There is a case for reducing the supply and raising the price where prices are currently below marginal cost; and for raising supply and cutting charges where prices are higher. As costs of letter collection and delivery are much lower in urban areas than in remote, rural regions, this would cause prices to fall for town dwellers and rise in parts of the countryside.

The argument for a uniform price is concerned with what some see as the "unfairness" of charging different consumers differently. Yet it is not obvious why it should be applied to postal services and not to other goods and services seemingly just as vital to rural existence. Rural areas suffer less frequent bus services; they have far fewer supermarkets and hence higher food prices – arguably food is much more of a necessity than a letter. Yet no one seriously argues that there should be uniform bus fares and food prices.

The extent to which those in rural areas gain from uniform charging is, of course, unclear. The present pricing system conceals the amount of cross-subsidisation. There is no evidence, though, that cross-subsidy goes from the "rich" to the "poor". In any case, postal charges exist to pay for a service, not provide a means to redistribute income. This is the function of the tax and benefits system.

A cost-based Royal Mail charging system would open up the possibility of a more varied service

A cost-based charging system would open up the possibility of a more varied service. At present, the uniform charge allows little variety in postal services. Even those who would prefer a better service are given no opportunity to pay for it, unless they resort to expensive premium services such as Datapost.

Local authorities could seek to subsidise services to retain or improve the quality of service (such as more daily deliveries) or reduce the postal charge. Those in rural areas facing a higher tariff might prefer less frequent deliveries and collections, say every other day, to keep the charge down. Alternatively, they might prefer to collect their mail from the village shop or garage, or have the mail delivered along with the daily milk or newspaper. Already the milkman and the newsagent provide doorstep deliveries. Is it necessary for the postman to visit, too?

The main benefit of previous privatisations came in reducing costs. This has taken two forms: doing more efficiently what is already done; and doing new things in new ways. The latter are what economists call "dynamic" efficiency gains. The government's privatisation proposal for the Royal Mail is a bold first step, but many of the potential dynamic efficiencies will come only if price signals are introduced into the market for letter deliveries. By retaining a uniform postal charge, the potential gains from privatisation are restricted.

When Rowland Hill introduced the "penny post" in 1840, his aim was to achieve political acceptability. Hill initially recommended a flat charge between "post towns" only, where he calculated that the costs of provision were roughly uniform. It seems once again that the future of the Royal Mail is to be determined by political necessity rather than sober economics.

David Parker

The author lectures in managerial economics at the University of Birmingham Business School. This article draws from a study in the current issue of Public Money and Management, published by the Public Finance Foundation, 3 Robert Street, London WC2N 6BN

OBSERVER

Brittan über alles

■ Sir Leon Brittan should think about changing the title of his lunchtime speech at the Policy Studies Institute in London tomorrow. Instead of "What next for Europe?", a much more appropriate theme would be "What next for Leon?", particularly since just a few hours later, in Brussels, EU leaders are set to choose Brittan's next boss.

Everyone knows that Luxembourg's Jacques Santer is the hot favourite to take over Jacques Delors' job as president of the European Commission.

He's the dark horse candidate who has made late strides after better-known candidates such as Dutch Prime Minister Ruud Lubbers, Belgian premier Jean-Luc Dehaene, and Sir Leon himself were either blocked or dropped out of the race.

But while the prospect of Santer's arrival in Brussels has dismayed some senior Commission officials who remember the uninspired reign of fellow Luxembourger Gaston Thorn in the early 1980s, it may not entirely displease Sir Leon, the competition commissioner.

As a student of German politics, he would no doubt recall the immortal words of the Bavarian heavyweight Franz-Josef Strauss – a great power in the land even though he never rose to be chancellor of Germany: "Es ist mir egal wer unter mir ist" (I don't care who is below me).

Letting rip

■ Talking of Gaston Thorn, president during a period of deep Euro-sclerosis . . . A particularly moving ode has come Observer's way penned by a distinguished participant in the depths of an interminable meeting in the Berlaymont building, or possibly in the Charlemagne, next door. It runs roughly as follows:

"When a meeting is chaired by G. Thorn,
It is certain to last until dawn.
He's mumbling and bumbling
and continually fumbling,
And the whole thing is one
bloody yawn."

A bottle of finest malt for the most inspired guess as to the author of the poem, and for the best attempt at a new generation of ditties to mark the presidency of Santer (if he gets it).

Explosive stuff

■ While the world is exercised about the vaulting price of coffee, scant attention has been afforded the recent surge in the price of methanol. This key ingredient in methylated spirits was going for less than DM200 per tonne last year; it now costs over DM550 per tonne.

Although it is best known as a cheap if unpalatable alternative to whisky, meths is now an essential ingredient in unleaded petrol. Another sign that the price of supermarket petrol may soon be heading in the same direction as the price of supermarket coffee?

'That'll be £1,000 and no questions asked'

To the hilt

■ Bristol & West Building Society is so concerned to take the public's views into account that it commissioned research to find out what people wanted from a mortgage. It found that the public was not seduced by the various cashback schemes which have cluttered the market recently but looked at a mortgage in terms of monthly payments. How wise of the society then to launch a new range of mortgages on the basis of those findings; how sad, however, for existing B&W borrowers who find that the standard variable rate they pay is – at 7.89 per cent – the highest charged by any of the ten largest societies.

Guillotine motion

■ So how was your July 13? While most of Britain's commuters were struggling to get to work during the fifth rail strike, Observer was pleasantly surprised to find that not only had the Hampton Court to Waterloo service not been cancelled but the number of trains had doubled from two to four an hour yesterday.

The morning took an even better turn when the FT receptionist rang to say that Le Croissant Shop, had delivered a box of hot croissants for Observer to commemorate Bastille day. If it had been delivered on the correct day, Observer would have been on holiday.

Sleight of hand

■ Chris Moncrieff, the Press Association's political editor retiring after 32 years at Westminster, told guests at a lunch staged in his honour yesterday of the time when Sir Denis Thatcher was unceremoniously deprived of his copy of the FT.

Margaret Thatcher had a glossy magazine in her hand as she was about to leave 10 Downing Street shortly after her third general election triumph in 1987.

Alerted that a battery of photographers was assembled outside, she grabbed the FT from Sir Denis and hid the magazine inside it. "You didn't see that," she told Moncrieff, and, until yesterday, he duly obliged.

Over my head

■ When in Geneva do as the Genevese do. A reader, just back from the place, reports having some difficulty following the English instructions on how to validate his tram ticket. He was advised to "push the side to obliterate home into validation slit".

And finally

■ After four years doing the financial spots on BBC Radio 4's Today programme, Nils Blythe is hanging up his microphone and moving to the Money Programme. This morning is his last opportunity to plunder this column for his "and finally" pay-off line.

How about asking how many lawyers does it take to change a light-bulb, Nils?

Answer: I'll have to get a QC's opinion.

FINANCIAL TIMES
Thursday July 14 1994

EU states criticised over failure to agree on justice and immigration

Brussels forces the pace on visas

By Emma Tucker and David Gardner in Brussels

The European Commission yesterday produced its proposed format for a European Union visa for non-EU citizens which would come into force from the beginning of 1996. The proposal was discussed at a meeting where the Commission was highly critical of member states' failure to reach agreements on justice and immigration affairs, the "third pillar" of the Maastricht treaty.

The Commission's attempt to introduce a common visa is part of an initiative to allow free movement of people, including third country nationals, in Europe. If Commission plans are implemented, non-EU citizens will ultimately be able to apply for one visa granting them entry to all countries of the Union.

However, this idea has met with considerable opposition from some member states. In particular, the UK government was concerned that citizens from Commonwealth countries who did not require a visa to enter Britain would have their movement restricted under a common EU visa. The introduction of the new European format, a preliminary step in the Commission's initiative, will constitute a change in design only for national visas and will not be effective as a European-wide visa until member states have agreed unanimously on a proposed list of 129 countries whose citizens will require one for entry.

When the list was published in November it prompted much controversy.

"An agreement is going to be very hard to achieve," one British official said. "The Maastricht treaty demands a common [visa] format. The British will accept the format. It is accepting the common list that will be a problem," he said.

The visa, and the list of nationalities requiring permission for entry, follow closely work done by the nine members of the intergovernmental Schengen free travel agreement, which covers all the EU members except Britain, Denmark and Ireland.

Mr Padraig Flynn, social affairs commissioner, who led yesterday's debate, is understood to have told his colleagues that "it is not possible to detect any sign of movement towards seeking, let alone finding, compromise solutions" on a range of initiatives the EU has set itself.

These include the Europol organisation to combat organised crime and drugs trafficking within the single market; the external frontiers convention, meant to permit freer movement within Europe by tightening up controls on non-EU nationals at port of entry; and a common customs information system.

Last December's EU summit in Brussels gave justice and interior ministers a deadline of this October to finalise the Europol convention.

Dollar firms on rumour of rates rise

By Philip Gawith in London

The battered dollar bounced back on foreign exchanges yesterday as rumours circulated among dealers of an imminent tightening of monetary policy by the Federal Reserve.

The market performed a swift about-turn from Tuesday's fears that low inflation would delay higher interest rates. The dollar closed more than a pfennig and a half higher in London at DM1.5383 from DM1.5235. It was also firmer against the yen, closing at Y98.15 from Y96.80.

There were suggestions in the markets that US short-term rates would rise by anything from 50 to 100 basis points, which would take them above German rates for the first time since September 1990.

Bills redesigned to beat counterfeiters

The US yesterday announced the first significant redesign of the dollar since 1929 in an effort to curb a rise in counterfeit bills. The portrait on the new notes will be moved, security strips made more sophisticated and a watermark introduced. However, old bills will not be recalled because of a potential loss of confidence in the dollar.

Earlier the dollar had weakened slightly on the release of US consumer inflation data for June. Month-on-month inflation rose by 0.3 per cent, in line with market forecasts, momentarily damping hopes of a Fed tightening.

A quick increase in rates would dispel fears that the Fed has been slow to respond to the threat of inflation arising from economic recovery. It would also quash concerns that the Fed is bending to the will of the White House, which does not want higher rates. Both factors have contributed to recent dollar weakness.

Another factor contributing to the rebound was the greater stability in international bond markets. Volatile bond markets had driven investors towards safe haven currencies such as the D-Mark and the Swiss franc, and the relative weakness of these two currencies in recent days is a sign of calmer markets.

Analysts said the dollar's bounce provided evidence that some investors were becoming nervous about the weakness of the US currency against the yen.

However, sentiment remains bearish and yesterday's bounce was seen more as a corrective rally than a turning point. But investors remain cautious of taking aggressive short positions against the dollar, for fear of being caught out by central bank intervention.

"The lower we go, the more nervous the market gets," said Mr Ian Gunner, international economist at Chase Manhattan in London. The dollar has fallen by around 9 per cent since the beginning of June.

Samuel Brittan, Page 17
London stocks, Page 27
World stocks, Page 34

Coca Cola Japan joins soft drinks price war

Continued from Page 1

bottlers, the distributing wholesaling companies to which Coca-Cola Japan supplies beverages, have started distributing the cheap imports to be sold at a retail price of around Y70 a can, 36 per cent lower than Coca-Cola's usual retail price, for a limited period this summer.

Private labels are already a familiar phenomenon in Europe and North America, where consumers have increasingly become more concerned about getting good quality at a low price than about the name on the product.

In the soft drinks sector, tough competition from Cott in the US recently prompted Pepsi-cola to warn of flat profits in its second quarter, causing its share price to plummet.

The trend towards brand labels in Japan can, in part, be attributed to frugality. The ordinary Japanese have been hit by the prolonged domestic recession. Also, the higher yen and expansion of retailers have lowered the price of imported private brands. Retailers' private brand products now range from food to mens' suits to electronic appliances.

Coca-Cola Japan was dismissive of the impact cheaper private brands were having on its market share, since sales through retailers amounted to 1 per cent of overall sales. However, an official at a bottler noted the trend towards lower prices in Japan and said the company was testing the quality of the imports before possibly distributing Coca-Cola made in the US on a regular basis.

Record fines imposed on price-fixers

Continued from Page 1

producers more than Ecu100m for price fixing and market sharing.

Under the cover of an ostensibly legitimate trade association, called the PG Paperboard, Europe's carton-board producers – including several big international forest products and paper companies as well as smaller independent mills – set up a scheme to guarantee regular price rises which ran from 1986 until 1991. The cartel was uncovered in a series of unannounced inspections carried out simultaneously by the commission in April 1991 after complaints by Brtiish and French carton users' trade associations. During the raids, commission officials discovered important evidence, even though the cartel had taken careful steps to cover its tracks.

In August, Stora, the Swedish company which had recently taken over the German producer of cartonboard Feldmühle – a ringleader of the Cartel – came clean with the commission. For its cooperation its faces a substantially lower fine of Ecu11.25m. Fines were also lower for those companies which did not contest the essential facts alleged against them, roughly half of the companies involved.

Mr Van Miert said it was "very disturbing" that after more than 10 years of active pursuit of secret cartels, the commission was still discovering market sharing and price-fixing cartels in major industries.

CBS merger called off

Continued from Page 1

Mr Diller to join QVC and said yesterday they would "be pleased" if he chose to remain as the company's chief executive.

Wall Street analysts felt it highly unlikely that Mr Diller would wish to remain in the humdrum world of home shopping, working for men who had destroyed his deal with CBS.

It is the second time in six months Mr Diller has failed with an ambitious QVC takeover deal. In February, he lost a $10bn battle to acquire entertainment group Paramount Communications – a deal Comcast strongly supported.

Comcast objected to the QVC-CBS merger because it sees its stake in QVC as a means of building up a strong presence in television programming, where it has few interests.

Federal law limits broadcasters and cable operators to a 5 per cent voting stake in companies in each others' industries. As a result, Comcast's influence at QVC would have been significantly diluted by the CBS deal.

THE LEX COLUMN

CBS switches channels

Comcast's move to acquire QVC certainly scores high marks for audacity. Its $2.2bn bid has already scotched the home shopping channel's rival plan to merge with CBS. Whether it is also a smart move is unclear. If Comcast flushes out a third bidder, it will be able to cash in its 15 per cent stake at a handsome profit. But if it ends up controlling QVC and chairman Mr Barry Diller – whose star status has boosted QVC's value – walks, the price-tag may look steep.

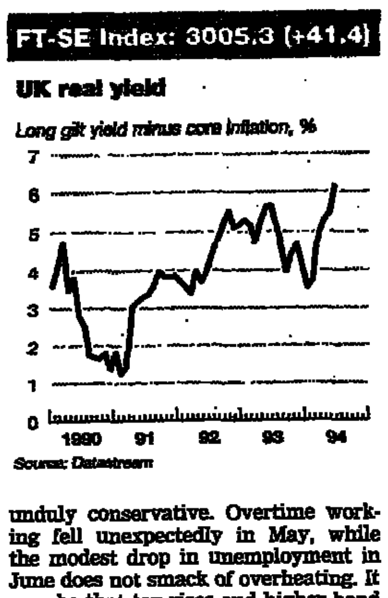
Though Mr Diller's intentions are unknown, it is clear he feels QVC on its own is an insufficient vehicle for his talents – hence his plans to acquire Paramount and merge with CBS. With both schemes dead, Mr Diller could cash in his QVC shares and options. He could then cast around for another vehicle into which to inject both his talent and his capital. An accommodation with Comcast cannot be ruled out – though it would presumably have to involve turning QVC into something grander than a home-shopping channel.

Meanwhile, CBS may now receive attention from other suitors. Chairman Mr Larry Tisch has done nothing to discourage the impression that he would welcome offers. Yesterday's decision by CBS to buy back $1.1bn of its own shares is a sign that Mr Tisch is looking to cash in his large stake. He has even given interested parties a price to aim at. Anything over the buy-back price of $325 a share would presumably be acceptable. The problem is that CBS has effectively been up for sale for some time and the only suitor to emerge has been Mr Diller. If Mr Tisch really wants out, he may have to lower his price.

FT-SE Index: 3005.3 (+41.4)

UK real yield

Long gilt yield minus core inflation, %



Source: Datastream

UK economy

The picture of steady, non-inflationary growth painted by the Treasury's summer forecast has survived this week's batch of economic figures. The small drop in underlying inflation last month was no more than financial markets expected. More importantly, after the scares earlier in the year, there is no sign of upward pressure on average earnings. Add in the good news on wholesale prices – manufacturers are not passing on higher raw materials costs to customers – and the inflationary threat looks remote.

The lingering worry is that the economy might accelerate through the second half of the year. Yet straws in the wind hint that the Treasury's forecast of 2.75 per cent growth this year is not unduly conservative. Overtime working fell unexpectedly in May, while the modest drop in unemployment in June does not smack of overheating. It may be that tax rises and higher bond yields have been just enough to take the inflationary edge off recovery. The rise in gilt yields looks all the more ferocious against the background of yesterday's comforting data.

The sharp rally in gilts this week may mark a realisation that real yields have risen far enough. If that brighter mood can be sustained, equities will also have more headroom. With the FT-SE 100 index breaking back through 3000 yesterday, the equity market again looks inclined to take its lead from the promising fundamentals. But the FT-SE climbed higher than this last month only to plunge with international markets, and not that much has changed in the domestic economy since.

UK telecoms

*Mr Don Cruickshank, the UK tele*coms regulator, yesterday ticked Mercury Communications off for being shrill. He is right. The company's latest campaign about unfair regulatory treatment sounds like special pleading. Mercury has been cossetted during its 10 years of existence by paying artificially low prices for use of BT's network. That may have been appropriate to give the company an initial leg-up. Some assistance to the latest batch of telecoms players is also reasonable. But, at some point, the subsidy has to stop.

The snag is that Mercury has not used the seven years when it was BT's only licensed competitor wisely. Instead of differentiating its services from BT's and building a sustainable competitive advantage, it offered a slightly cheaper but similar service. It exploits the wide gap between the wholesale prices it has paid for using BT's network and BT's high long-distance charges. Mercury is now facing a two-way squeeze. BT is cutting its long-distance charges, while the network usage fees are going up.

This is not to say that the ungainly regime which governs network fees is perfect. The system exists because BT is not allowed for political reasons to charge customers the full cost of having a telephone line. If the government had political courage, it would scrap that restriction. But so long as it exists, Mercury does itself no favours by moaning. It would do better, even late in the day, to try to build a sustainable competitive advantage.

Owners Abroad

The market seemed comforted by Owners Abroad's reduced interim loss. But that is not necessarily good news. Bigger losses for tour operators at the half-way stage often point to an increase in capacity and higher annual profits. Owners' figures, though, are muddied by its increased Canadian exposure which counters the seasonality of UK package tours. The link-up with Thomas Cook also makes it hard to gauge what is happening to the underlying business. Nevertheless, Owners appears to be making good progress cutting costs and reinvigorating its operations. Its forthcoming rebranding exercise will be critical for the second phase of recovery.

Owners' revival is made easier by the strong holiday market, with bookings up 13 per cent so far this year compared with 1993. BAA's passenger figures yesterday also confirmed how many Britons are joining the holiday brigade. But the real test for Owners will come when the market tightens again. The benign theory of the industry's future suggests that may not happen for a time. The big three operators, which control well over half the market, have grown sensible and sophisticated and averse to price wars. Besides, the industry is maturing and the barriers to entry are rising. More stable industry earnings should therefore be rated more highly by the stock market than in the past. But such arguments have been advanced before and confounded by experience. It still takes a leap of faith to regard tour operators as dependable investments.

FT WEATHER GUIDE

Europe today

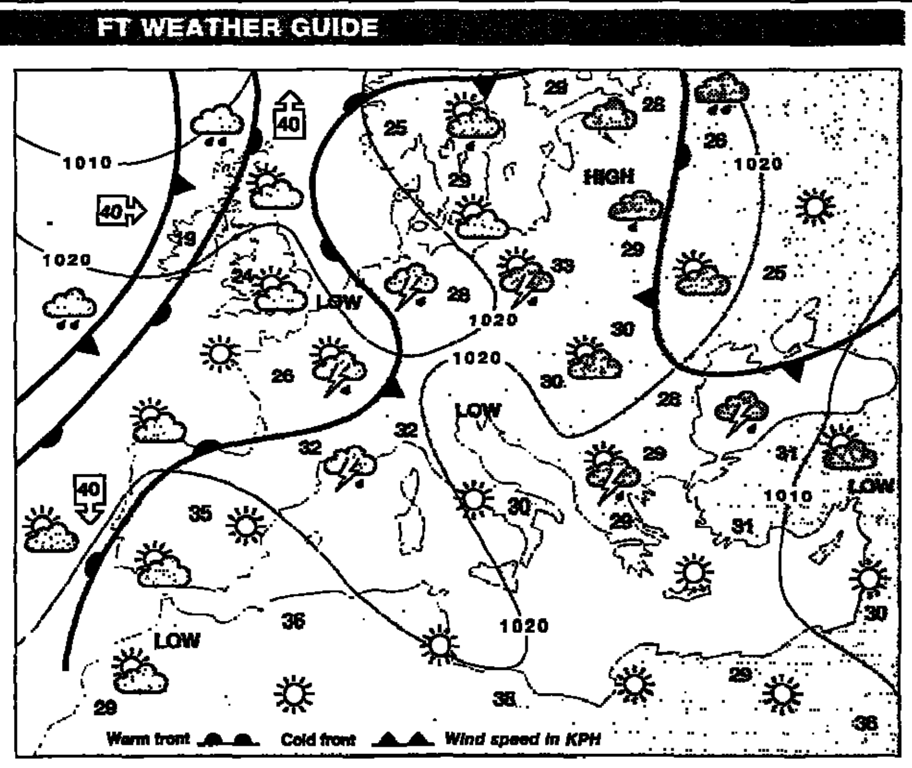
A frontal zone will result in clouds and outbreaks of rain over Ireland and Scotland, while England and Wales will enjoy sunny spells apart from the possibility of thundery showers over eastern counties. Cooler air from the Atlantic may move into the Continent.

It will meet the hot, continental air over the Benelux, France and Germany and this will cause thunderstorms, which could be accompanied by hail at times. Thunderstorms are also likely in the Alps.

Eastern Europe will continue warm with frequent sunny spells. Over the Balkans, the sunshine will be more prolonged, but a few showers are still possible. Spain, Portugal, Italy and Greece will also enjoy sunny conditions. Central and southern Scandinavia will experience sunny periods along with a few showers, with temperatures well above normal.

Five-day forecast

The British Isles will enjoy frequent sunny spells and should remain dry over the weekend. Scattered thundery showers are likely over Scandinavia and western, central and eastern Europe. Afternoon temperatures will drop to a more seasonable level. The Mediterranean will remain sunny and dry.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	40
Accra	fair	29
Algiers	sun	34
Amsterdam	thund	25
Athens	sun	31
Atlanta	fair	32
B. Aires	fair	13
B.ham	fair	24
Bangkok	cloudy	31
Barcelona	sun	28
Beijing	fair	30
Belfast	rain	20
Belgrade	fair	28
Berlin	fair	32
Bermuda	fair	32
Bogota	cloudy	17
Bombay	shower	29
Brussels	shower	25
Budapest	fair	30
C.hagen	fair	28
Cairo	sun	35
Cape Town	fair	16
Caracas	cloudy	25
Cardiff	fair	22
Casablanca	sun	26
Chicago	shower	29
Cologne	shower	26
Dakar	fair	28
Dallas	fair	33
Delhi	fair	35
Dubai	sun	38
Dublin	rain	20
Dubrovnik	sun	29
Edinburgh	cloudy	22
Faro	sun	30
Frankfurt	thund	29
Geneva	shower	29
Gibraltar	sun	28
Glasgow	rain	22
Hamburg	thund	29
Helsinki	sun	28
Hong Kong	thund	33
Honolulu	fair	32
Istanbul	fair	28
Jakarta	fair	31
Jersey	fair	20
Karachi	fair	34
Kuwait	sun	45
L. Angeles	sun	24
Las Palmas	fair	27
Lima	cloudy	18
Lisbon	sun	28
London	fair	26
Lux.bourg	thund	25
Lyon	thund	29
Madeira	fair	24
Madrid	sun	34
Majorca	sun	32
Malta	sun	31
Manchester	fair	23
Manila	cloudy	32
Melbourne	fair	15
Mexico City	thund	23
Miami	fair	32
Milan	sun	31
Montreal	fair	27
Moscow	shower	27
Munich	fair	29
Nairobi	fair	25
Naples	sun	31
Nassau	fair	32
New York	fair	30
Nice	sun	28
Nicosia	sun	33
Oslo	fair	29
Paris	fair	27
Perth	fair	16
Prague	fair	31
Rangoon	cloudy	32
Reykjavik	rain	13
Rio	fair	17
Rome	sun	31
S. Frsco	sun	23
Seoul	fair	34
Singapore	cloudy	32
Stockholm	sun	30
Strasbourg	thund	28
Sydney	fair	18
Tangier	sun	30
Tel Aviv	sun	31
Tokyo	fair	30
Toronto	cloudy	28
Vancouver	fair	23
Venice	sun	30
Vienna	fair	30
Warsaw	fair	28
Washington	fair	34
Wellington	fair	9
Winnipeg	fair	24
Zurich	shower	27

IN BRIEF

Hilton Hotels income up 26%

Hilton Hotels, the US-based hotel and casino group, bounced back from last year's profit decline and a weak first quarter by reporting a 26 per cent increase in net income to $33.9m for the second quarter. The improvement was driven mainly by economic growth in the US. Page 21

US accounting cuts Fiat losses
The US accounts of Fiat, the Italian automotive and industrial group, show a 1993 net loss almost L1,000bn ($662m) lower than the loss shown by the group's European results. The disparity is the result of accounting differences. Page 20

Uralita plans chemicals spin-off
The Spanish industrial group is to place its chemical operations into a separate company to pave the way for a possible outright sale. The reorganisation would allow Uralita to concentrate more fully on its core building materials business. Page 20

TV network boosts CBS earnings
CBS, the US broadcast television group, yesterday announced second-quarter profits of $109.3m, up from $107.4m a year ago. The results translate into earnings of $6.84 a share. Page 21

Profits halved at First Chicago
Trading profits at First Chicago, the first big US bank to report second-quarter earnings, were less than half their record level of a year before at $36.7m ($91.6m). Page 21

Latin American foreign bond issues down
Slightly more than $2bn in foreign bond issues was raised by Latin American borrowers in the second quarter of this year, a sharp drop on the previous quarter's $6.42bn. Page 22

Derivatives trading debate continues
The debate over the merits of open-outcry versus screen-based derivatives trading has been revived by a study challenging the widely-held notion that electronic exchanges are inherently less liquid than open-outcry markets. Page 22

Bulmer profits decline to £3.9m
HP Bulmer, the UK cidermaker, reported a sharp decline in full-year pre-tax profits reflecting exceptional write-offs. Page 24

Cray down on lack of exceptional gains
The absence of exceptional gains resulted in a 10 per cent decline in pre-tax profits at Cray Electronics Holdings from £29m to £26.2m ($39.82m) in the year to April 30. Page 24

Yates plans to double retail outlets
Yates Brothers Wine Lodges, the independent UK drinks group, unveiled plans to double the size of its retail operations following its forthcoming flotation. Funds raised by the £10m ($15.2m) placing will be used to reduce group borrowing and launch the expansion programme. Page 25

Coffee prices reach new high
New York traders helped push the London Commodity Exchange September delivery position to a 8½-year peak of $4,085 a tonne. But at the market close the price dipped just below $4,000. Page 26

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Beiersdorf	954	+	14	AXA	254.6	+	8.6
Goldschmidt	700	+	25	Bancaire Cie	523	+	13
Kaufhof	505	+	9	Credit Fonc	946	+	21
Falls				Immobanque	739	+	28
BASF	291	−	6.7	Pernod	330	+	13.1
GEHE	547	−	13	**Falls**			
Porsche	600	−	20	Pechiney	143.1	−	4.7
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
CBS	306	+	6	Anritsu	1610	+	90
Cisco Sys	24¾	+	1⅛	Kajima	995	+	21
Hilton Hot	62¾	+	¾	M'bishi Mat	546	+	24
Lotus Dev	41⅝	+	1¾	Nip Lt Met	735	+	18
QVC	42	+	6	**Falls**			
Falls				Kikkoman	891	−	19
Comcast	15⅛	−	1½	Makino Mil	827	−	28

New York prices at 12.30pm.

LONDON (Pence)							
Rises				Owners Abroad	88	+	6
BAA	948	+	20	Rank Org	391½	+	14½
BP	395½	+	11	Shield Diagnstcs	58	+	12
[illegible]	285	+	10	Trifast	208	+	7
Castle Comms	336	+	58	**Falls**			
E Midlands Elec	605	+	23	Betterware	88	−	11
Eidos	340	+	25	Colorvision	31	−	7
Enterprise Oil	421	+	11	Drew Scientific	25	−	3
European Motor	128	+	7	Hartstone	32	−	2
Great Universal	587	+	13	Wood (John D)	65	−	4
HSBC (75p shs)	667	+	21				
ICI	793	+	16				

France takes step towards Renault sale

By John Ridding in Paris

The French government yesterday took a step towards the privatisation of Renault, announcing that it was preparing to select banks to advise on the "eventual opening of the capital" of the state-owned vehicle maker.

Mr Edmond Alphandéry, the economy minister, said the decision was not an announcement of Renault's privatisation. But his statement suggests that the government is pressing ahead with plans to implement at least a partial privatisation of the flagship public-sector company, which is valued at about FFr40bn ($7.2bn).

Last month, Mr Philippe Auberger, a senior member of the National Assembly's finance committee, said that the government was considering a partial privatisation, but no decision had been taken and such an operation would be unlikely before October or November.

Mr Alphandéry said the role of adviser would be open to both French and foreign banks. As in previous privatisations, competition for this mandate is expected to be fierce.

Renault is one of the 21 public sector companies slated for sale by the centre-right government. But the timing has remained uncertain since the collapse of plans to merge Renault and Volvo, the Swedish vehicles group, at the end of last year.

During negotiations with the Swedish company, the French government had committed itself to privatise Renault by the end of this year. The failure of the merger plan, however, and the dismantling of much of the existing alliance between the two companies, has complicated the privatisation timetable.

Industry observers believe the government, which holds 80 per cent of Renault's shares – Volvo holds the rest – is now leaning towards gradual privatisation which could start before next spring's presidential elections.

"It seems possible that they might want to sell a stake of up to 25 per cent as the first step," said one industry analyst in Paris. But it seemed they had "not yet made up their minds and might still go for a full-blown sale".

The sale is complicated by political sensitivities. The Confédération Générale du Travail, the communist-led union, has expressed opposition – Renault has been a symbol of state-ownership since the end of the second world war.

Volvo's stake is also a factor, although a privatisation might provide it with an opportunity to reduce its holding.

Renault in pole position, Page 20

German builder takes a 15% stake in Buderus

By David Waller in Frankfurt

Bilfinger & Berger, one of Germany's largest construction groups, has emerged as the surprise owner of a 15 per cent stake in Buderus, the German heating equipment and engineering group.

The news follows last month's placing of 80 per cent of Buderus on the German stock exchanges by Metallgesellschaft, the troubled conglomerate. Buderus shares were suspended yesterday.

The move is being widely seen in Germany as a prelude to a possible battle for control of the highly profitable Buderus. Commerzbank and Dresdner Bank each hold a 10 per cent stake.

Mr Christian Roth, Bilfinger chairman, disclosed the news of the shareholding at his group's annual meeting yesterday. He said Bilfinger was in talks with Buderus' management board.

Although Buderus said it welcomed Bilfinger as a long-term shareholder, Mr Reinhard Engel, a director of Buderus, said there had been no talks with Bilfinger and there was no possibility of business co-operation.

"There is no evidence to suggest that there is anything suspicious about this holding," said Mr Engel. "We see it in a neutral light: we are not enthusiastic but we are not disappointed either."

Secret stake-building is shortly to become illegal in Germany under the terms of the second Financial Markets Promotion Act, which is likely to come into force on August 1. The law will oblige companies to disclose stakes once they reach 5 per cent, providing an early warning system for German companies.

The stake-building also appears to contradict the terms of the placing of Buderus shares last month, in which Metallgesellschaft obtained DM1.2bn ($788m) for its 80 per cent shareholding.

Deutsche Bank and Dresdner Bank arranged the placing of Metallgesellschaft's Buderus stake with the declared aim of ensuring that Buderus would be owned by a broad spread of shareholders.

Deutsche Bank said it had been told about Bilfinger's purchases yesterday by Dresdner, a 25 per cent shareholder in Bilfinger. Dresdner refused to answer specific questions about its role in helping Bilfinger buy the Buderus shares.

Buderus made pre-tax profits of DM133m last year on sales of DM2.77bn.

Japan's chip makers lift capital spending

By Michiyo Nakamoto in Tokyo

Japanese semiconductor makers are stepping up capital spending on manufacturing facilities to meet growing demand from the computer and home electronics markets.

NEC, the second largest maker of semiconductors in the world after Intel of the US, plans to increase capital spending on chip production this year to Y110bn ($1.14bn). It had earlier set spending at Y90bn.

Fujitsu is also increasing capital spending by Y18bn and Mitsubishi Electric is considering raising investment to meet future demand.

Meanwhile, Toshiba, Japan's second largest semiconductor maker, announced that its semiconductor manufacturing company – a joint venture with Motorola of the US – is investing about Y27bn in a new factory in Japan to make microprocessors and application specific integrated circuits.

The move in the PC market towards advanced computers and the introduction of new operating software had increased demand for memory chips, NEC said. The new operating software, for example, uses more than 10 times the memory of earlier software.

At the same time, demand for semiconductors from home electronics makers has been particularly strong for microcontrollers used in mobile phones, air conditioners, washing machines and other household appliances. The demand reflects the growing use of such appliances and the recovery in consumer spending.

Fujitsu said that it would spend about Y7bn to expand production of microcontrollers. Another Y2bn would be used to increase production of integrated circuits for mobile phones.

Japanese semiconductor makers expect demand to remain strong, particularly with the development of multimedia. The growing use of video in computers, for example, will spur demand for memory chips.

The rise in investment suggests a brighter outlook for the Japanese companies, which have been facing increasing competition from the US and Korea.

● NEC said yesterday that it planned to raise the sales target for its new parallel processing mainframe computers by 15 per cent.

David Waller reports on the lack of a share culture in Germany

Resisting the bait of equity ownership

For deep-seated social, psychological, legal and political reasons Germans have a problem with shares.

They don't like buying or dealing in them, they don't like shares in their companies traded on the stock market, and they often can't talk about shares except in an emotional and illogical way, complains Mr Rolf Breuer.

The chairman of the German Stock Exchange and a member of the board of managing directors at Deutsche Bank laments the absence of an "equity culture" in Germany.

aOnly 6 per cent of German households own shares, compared with more than 20 per cent in the UK or the US; there are only about 665 quoted companies in Germany compared with more than 2,000 in the UK; and the market capitalisation of the German stock market amounts to 25 per cent of GDP – against 75 per cent in Japan and the US and 127 per cent in the UK.

"This [lack of an equity culture] is a big and growing disadvantage for Germany at a time of increasing competition between the world's financial markets," laments Mr Breuer. "Capital flows to wherever it finds the most attractive home – that is true both for multinational companies seeking to raise funds and for international investors looking for somewhere to put their money."

By these criteria, Germany's underdeveloped equity market is in the international "second division", Mr Breuer complains, with the risk that big German companies will seek to raise finance in markets outside Germany and international investors will divert funds elsewhere.

The evidence of this is low liquidity by international standards, an absence of domestic institutional investors, a hostility to financial innovation, an unthinking preference on the part of German savers for government bonds, and an unhelpful tax regime, the head of Deutsche Bank's securities operations says.

Such a litany of weaknesses raises the question: what is to be done to strengthen the German financial markets so that they enjoy a role commensurate with Germany's position as a Europe's leading industrial power?

Help is coming from the forthcoming second Finanzmarktförderungsgesetz – the Financial Markets Promotion Law due to take effect on August 1 – which will introduce international standards of regulation for the German financial markets.

The law, first mooted in January 1992 and passed by parliament this month, introduces measures to bolster the Finanzplatz – Germany as a financial centre. The new law:

● makes insider dealing a criminal offence;

● creates a regulatory body for the German securities markets, the Bundesaufsichtsamt für den Wertpapierhandel. This will evolve into a version of the US Securities & Exchange Commission (SEC), policing financial markets;

● requires quoted companies to publish details of shareholdings in other companies when they reach 5 per cent, rather than 25 per cent at present. Other rules will require prompt publication of price-sensitive information;

● allows the reduction of the nominal value of shares from DM50 to DM5, helping to enhance the attractiveness of equities by reducing the top-heavy share prices of some big German companies;

● facilitates the introduction of money market funds, a form of short-term investment vehicle which is popular in the US and France, but hitherto banned in Germany because of the Bundesbank's worries about the impact on monetary policy.

However, the provisions are not enough to rectify the weaknesses in the German markets overnight, Mr Breuer concedes, although he says the insider dealing law will help to enhance the image of Germany as a financial centre.

He accepts that it has long been anomalous for insider dealing to be permitted in Germany, but is adamant that insider dealing in Germany has been on a small scale compared with Anglo-American excesses.

"There is not and never has been much insider dealing in Germany," he contends. "But foreign investors have always had the impression that Germany is a wild west."

Mr Breuer also thinks the new disclosure rules will encourage greater transparency in the German equity market, and welcomes the creation of the German SEC. However, he admits that the structure of the new institution – which will introduce three levels of supervision of German stock markets – is not ideal, adding that it will take until "the middle of next year" for the new body to be up and running.

More must be done if Germany is to develop an equity culture, Mr Breuer says. His agenda for action falls into two categories.

First, he would like to strengthen the legal infrastructure further with the introduction of rules for takeovers in Germany, preferably modelled on the UK's non-statutory Takeover Code.

The main purpose of such a code would be to give rights to minority shareholders, whose interests are often neglected. "If we are to have an equity culture in Germany the small investor has to participate."

Mr Breuer says a draft code will be presented to the Bonn Finance Ministry later this year.

Second, he wants to introduce further reforms to the German Stock Exchange "with the aim of ensuring that anyone who wants to do business in D-Mark denominated securities does it via the German market and not in London.

"Ten per cent of turnover in blue-chip German shares is done in London, and that is 10 per cent too much!"

Part of the problem is that liquidity in share trading is still divided between seven separate stock exchanges in Germany, Mr Breuer says. But the creation of the Deutsche Börse – the German Stock Exchange – at the beginning of last year was a big step forward.

"Everything connected with securities dealing is now under one roof, from dealing and settlement to software development and clearing," he says. "To have it all together like this gives us a tremendous competitive advantage. We can streamline investments, pool our resources and develop technology much more effectively than our rivals."

Mr Breuer says the focus of development in the next few years will be investment in new technology to expand on the Ibis dealing system (which captured 30 per cent of the market in German blue-chip stocks last year) – and an attempt to forge closer co-operation between Frankfurt, the biggest exchange in Germany, and its six regional rivals.

These efforts alone will not lead to the sudden development of an "equity culture" in Germany, Mr Breuer concedes. The biggest obstacle lies in people's attitudes. "When it comes to shares we have a mental problem on the side of both investors and entrepreneurs," he says.

Those attitudes are changing and the Financial Markets Promotion Act is likely to accelerate that change.

Large UK tour groups failing to gain share

By Michael Skapinker, Leisure Industries Correspondent

Large UK tour operators are failing to increase market share through their ownership of travel agency chains, according to Mr Francis Baron, chief executive of the holiday group Owners Abroad. Mr Baron, whose group has financial links with Thomas Cook travel agents, said yesterday that independent tour operators appeared to be gaining an increased share of the overseas package holiday market.

While large travel agents were concentrating on selling their parent companies' holidays, they were reluctant to sell those of rival large groups, but happier to sell the holidays of smaller tour operators which did not own travel agent chains.

The Office of Fair Trading has been investigating the links between large tour operators and travel agents after complaints from independent companies.

Mr Baron's remarks came after Owners Abroad surpassed City expectations by reporting a pre-tax loss of £29.3m ($44.5m) for the six months to April 30, down 24 per cent. Holiday companies usually record first-half losses.

The acquisition in February of International Travel Holdings, the Canadian tour operator, helped to reduce Owners Abroad's winter losses.

Mr Baron said the group's share of the summer 1994 market had risen from 9.5 per cent to 11.6 per cent in May.

Turnover rose 46 per cent to £228m. Cash balances increased 39 per cent to £86.8m. The loss per share fell to 13.8p from 17.4p and the interim dividend is an unchanged 1.4p.

Lex, Page 26

US accounting difference reduces losses at Fiat

By Andrew Hill in Milan

The US accounts of Fiat, the Italian automotive and industrial group, show a 1993 net loss almost L1,000bn ($662m) lower than the loss shown by the group's European results. The disparity is the result of accounting differences.

In May, Fiat announced a record consolidated loss of L1,783bn for 1993, after minority interests, extraordinary items and tax.

In the US accounts, deposited with the US authorities at the end of last month, the net loss is L794bn.

The comparative profits in 1992 were L551bn in the European accounts and L375bn in the US equivalent.

At the same time, shareholders' equity is slightly higher in Fiat's US accounts for 1993: L18,724bn, compared with L17,427bn in the European accounts.

Mr Carlo Gatto, a senior vice-president in Fiat's administration and audit division, explained that the difference in net results was particularly marked in the 1993 accounts because the group implemented changes to US rules on accounting for deferred tax liabilities and assets.

When the cumulative effect of the changed accounting principle was included, Fiat's US profit and loss account was adjusted upwards by L1,308bn, although this figure was offset by other negative items.

The adjustment to shareholders' equity was mainly due to differences in accounting for goodwill in acquisitions.

Fiat indicated at its shareholder meeting at the end of last month, that it would return to net profit for 1994.

Czech cabinet rejects shake-up plan for petrochemical industry

By Vincent Boland in Prague

The Czech cabinet yesterday rejected fresh proposals for restructuring the country's oil refining and petrochemical industry, potentially clearing the way for further consideration of two earlier plans which would see private investors take a minority stake in the sector.

Mr Václav Klaus, prime minister, said a revised industry ministry proposal would be studied again in a month.

The government has already received two proposals for restructuring the industry, which is estimated to be in need of a $1bn investment programme.

One would see four international oil companies, Shell, Conoco, Total and Agip, take a 49 per cent stake in the refining business in return for an immediate payment of $180m and a $520m investment programme over five years. This plan would leave the petrochemical business in state hands.

The second proposal, which the government favours, has been submitted by Chemapol, a powerful Czech monopoly oil importer which is itself being restructured.

The influential Council of Economic Ministers has recommended that Chemapol's proposal be accepted.

The Czech Republic is currently almost entirely dependent on Russian oil supplies, which are piped via Ukraine and Slovakia. The government is committed to building the Ingolstadt pipeline from Germany to reduce this dependency.

Agencies cool on UK societies plan

By Alison Smith in London

Credit rating agencies believe the UK government's plans to give building societies greater freedom could increase the risk profile of societies.

IBCA, the European rating agency, said the plans, announced last week by the Treasury, had potentially negative implications for societies.

While IBCA said it was not revising its positive view of societies "for the moment", it appeared more conscious of the mistakes societies might make as a result of the changes than of the benefits to them.

The government intends to allow societies to raise up to 50 per cent of their funds on the wholesale money markets; to wholly own a general insurance subsidiary dealing with house-related lines of insurance; and to carry out limited lending to businesses which is not secured against land.

Moody's Investors Services, the US ratings agency, was wary about the use societies may make of the new powers which, by definition, would raise their risk profile. "Our ratings are stable but our outlook is cautious," it said yesterday.

Moody's highlighted the prospect of greater risk if societies increased the amounts they raised on the wholesale money markets in terms of short-term, confidence-sensitive funding.

A report from IBCA focused on the increase in risk from moving into general insurance, and expressed scepticism about the merits of a building society lending to businesses.

IBCA's doubt about the wisdom of societies' lending to business reflects the general view among society chief executives. But the agency's reaction to the proposal on general insurance is gloomier than that of the sector.

IBCA argued that general insurance in the UK "has been almost characterised by its unprofitability".

Sky to offer up to five new satellite TV services

By Raymond Snoddy in London

Sky Television is planning to launch a number of new television services, possibly as many as five, over the next few months.

The satellite television venture yesterday announced the first of the new services – a second Sky Sports package, which will be launched on August 19.

Also under consideration is a travel channel, an education channel and a science fiction channel.

The aim is to take a number of programme services from cable television to strengthen Sky's Multi-Channel package of subscription channels.

The new services could also lead to an increase in the prices of some of Sky subscription packages. At the moment, all the services offered by Sky Television cost £19.99 a month.

Sky declined to comment on whether prices would change once the new services were introduced.

The new line-up of services is not likely to involve complete channels. The services will almost certainly be segments of programming added to the total Sky package by splitting existing channels.

To begin with, for example, Sky Sports 2 will only broadcast at weekends.

The new sports service will give schedulers an extra 50 hours of airtime to broadcast more live sport and documentaries.

The new weekend service will be free to existing Sky Sports subscribers.

With only one sports channel, Sky has faced considerable scheduling difficulties. During coverage of England's cricket tour of the West Indies earlier this year, coverage of English Premier League football had to be moved to Sky One.

Sky Television is owned by British Sky Broadcasting, a consortium in which Pearson, owner of the Financial Times, has a significant stake.

Renault in pole sell-off position

John Ridding finds a mix of caution and commitment from Paris

Mr Edmond Alphandéry, the French economy minister, chose his words carefully yesterday. He was not announcing the privatisation of Renault, merely preparing to select adviser banks for the "evolution of the capital" of the French state-owned automotive group.

But despite Mr Alphandéry's reticence, the French government has clearly started the wheels rolling again in its plans to transfer the car maker, one of the flagships of the French public sector, into the private sector.

It raises the question of how and when Renault might be sold, and who might be the buyers of stakes in the company, which is valued at about FFr40bn ($8bn).

Behind yesterday's announcement lies a mixture of caution and commitment. The government is keen to signal its commitment to the sale of Renault, which has proved one of the trickiest proposals on its list of 21 public sector companies slated for sale.

"The French state should not be in the business of making cars," says Mr Gérard Longuet, the industry minister.

Mr Longuet has pushed hard for Renault's privatisation. So has Mr Louis Schweitzer, the chairman of the automobile group.

Industry observers add that the company is in good shape for sale. It is one of the few

Edmond Alphandéry: his remarks show cautious line

European motor groups to endure the recession of the past few years without falling into loss.

It reported net profits of FFr1.07bn in 1993, and has developed a successful range of new models, including the Twingo, the quirky small car, and the Laguna saloon.

A number of obstacles, however, have prompted a delay in the privatisation. Most obvious was the collapse last year of plans to merge with Volvo of Sweden, a merger that was intended to be the final step before privatisation.

The sale of Renault has also run into political sensitivities. In particular, the centre-right government of Mr Edouard Balladur has been anxious to avoid trade union opposition to its plans for Renault, a stronghold of union groups in the 1960s and 1970s and which remains a symbol of a corporatist system of industrial management.

As Mr Alphandéry demonstrated yesterday, the government remains cautious. According to the economy minister, the launch of bids for adviser banks "prejudges nothing" concerning the future ownership of Renault. He added that there was no deadline for decisions to be taken.

French officials argue that there is no need to hurry. The government has already named Assurances Générales de France, the insurance company, and Groupe Bull, the computer manufacturer, as the next companies to be privatised.

Proceeds from the privatisation earlier this year of Elf Aquitaine, the oil group, and Union des Assurances de Paris, have already taken the government beyond its targeted receipts of FFr55bn for this year.

Thus a possible scenario for Renault is a partial privatisation which could take place before next spring's presidential elections. A sale of the balance of the state's 80 per cent stake could follow.

Auberger, a senior member of the National assembly's finance committee, said last month that the government was considering a partial privatisation, but that no decision had yet been taken.

Industry observers in Paris suggest that a partial privatisation could involve the sale of between 15 and 25 per cent of the company's shares and the formation of a so-called "noyau dur" of long-term shareholders.

Such shareholders would probably be drawn mainly from the ranks of France's largest financial and industrial groups.

They might include Lagardère Group, the communications and defence company which is involved with Renault in the development of its Espace vehicles, and which has expressed an interest in its partner's privatisation. Elf Aquitaine, which co-operates with Renault in several areas, including in Formula One motor racing, is another potential investor.

Renault has also been seeking industrial partners following the collapse of its merger plans with Volvo. Negotiations with Fiat of Italy, however, concerning the sharing of foundry facilities, have ended unsuccessfully.

Privatisation, however partial, could help untangle the remnants of Renault's complex cross-shareholding with Volvo. The Swedish company has 20 per cent of Renault.

Uralita set to spin off chemicals

By Tom Burns in Madrid

URALITA, the Spanish industrial group in which a number of UK institutions took a significant stake last year, is to group its chemical operations into a separate company in order to pave the way for a possible outright sale.

The reorganisation would allow Uralita to concentrate more fully on its core building materials business, analysts say.

The group is Spain's building materials market leader.

A number of UK institutions, lead by Scottish Widows, last year paid Pta7.6bn ($58m) for a 15 per cent stake in Uralita. The vendor was Grupo March, Spain's leading holding company.

Buffeted by recession, Uralita lost Pta7.4bn last year but strong first-quarter results suggest that losses could be brought down to Pta1.5bn this year and that the group could be profitable in 1995.

Uralita plans to underwrite a Pta15bn capital increase, a sum equivalent to the book value of its plastic and chemical assets, for Rocalla, a fibre cement company that is to acquire Uralita's chemicals assets. Rocalla is to change its name to Aragonesas.

Rocalla, which is 95 per cent owned by Uralita, and is listed on the the Madrid and Barcelona stock exchanges, will pass its cement business across to Uralita.

The disposal of the chemical units grouped in the relaunched Aragonesas, either through a trade sale or through a placement with institutional investors, is expected to take place early next year.

Uralita is believed to have a placed a price tag of between Pta20bn and Pta23bn on its chemicals assets.

Pirelli confirms sale of US farm tyre subsidiary

Pirelli, the Italian tyre group, has confirmed press reports that it plans to sell the farm tyre business of its US subsidiary, Armstrong Tire, Reuter reports from Milan.

"In line with our strategy to focus the company on the car and light truck tyre market, we are currently in negotiations for the sale of the Des Moines plant which produces a textile cross ply farm tyre," Pirelli said. The sale will cut Pirelli Armstrong's workforce by 40 per cent to 1,150 workers, press reports said.

INTERNATIONAL COMPANIES AND FINANCE

TV network lifts CBS to record per-share earnings

By Patrick Harverson in New York

CBS, the US broadcast television group, yesterday announced second-quarter profits of $109.3m, up slightly from $107.4m a year ago.

The results translate into earnings of $6.84 a share, a record for CBS. Last year, the company reported earnings of $6.73 a share, but that figure was boosted by two extraordinary items.

Without those items, earnings in this year's second quarter were up 19 per cent from a comparable $5.77 a share in 1993. Operating income was also higher in the quarter, up 14 per cent to $174.3m, while consolidated net sales rose 6 per cent to $882.6m.

The CBS television network unit made the biggest contribution to group earnings, reporting substantially higher income than a year ago. It attributed this to a strong performance from its prime-time, daytime, late-night and news programming.

Although it has the weakest sports programming of the three main networks, CBS said its college basketball broadcasts in the quarter – which included the highly-popular Final Four championship tournament – posted an especially big sales increase, as did late-night programming, led by the top-rated Late Night with David Letterman show.

Higher earnings were also reported by the group's affiliate stations and radio divisions.

The results had little impact on CBS shares yesterday. However, they fell sharply in early trading on the news that the company was abandoning its planned merger with the QVC television shopping network, after telecommunications group Comcast launched a rival bid for QVC.

The shares recovered later, after CBS said it would buy back 3.5m shares and split its stock five-for-one. By late morning, they were trading at $300, unchanged on the day.

Cummins chief stands down

By Laurie Morse

Cummins Engine, the US diesel engine maker has laid the groundwork for its executive succession following the announcement that Mr Henry Schacht, chief executive officer, will step down.

Mr Schacht has held the top management post at Cummins for 21 years, during which time he has successfully battled to keep the manufacturing company profitable in the face of global competition and domestic economic downturns.

He will be replaced by Mr James Henderson, currently Cummins' chief operating officer. Mr Schacht will retain his post as chairman and Mr Henderson will keep his title of president.

Mr Theodore Solso, now a Cummins executive vice-president, will assume Mr Henderson's old post of chief operating officer, putting him in line for the chairmanship.

Mr Schacht, 59, said he was standing down now, rather than at 65, so the company would avoid the double resignation which would occur if he and Mr Henderson retired simultaneously in six years.

"This management transition reflects the Cummins tradition of orderly change," Mr Henderson said. "Henry Schacht and I have worked together for 30 years.

"The transition plan he has developed with the board preserves our working partnership, guarantees management continuity, and assures the ongoing consistent execution of Cummins' highly successful business strategy."

Advertising sales boost Gannett

By Richard Waters

Improved newspaper advertising revenues and steady operating costs helped Gannett, the US publishing and broadcasting group, report record after-tax profits of $131.8m, or 90 cents a share, in the second quarter.

A year before, net income was $113.6m, or 78 cents.

Gannett, whose publications includes USA Today, earned advertising revenue of $540m in the period, up from $513m, while income from newspaper circulation edged up $3m to $213m. Other sources of revenue were broadly in line with the year before, while costs, excluding interest payments, were flat at $736m.

The company, which publishes 83 newspapers across the US, attributed the advance to gains in 'help-wanted' advertising. The 13 per cent increase in classified advertising sales contributed to a 5 per cent overall gain in newspaper advertising revenues, it said.

Broadcasting revenues fell slightly, to $107m, reflecting the sale of three radio stations. However, profits climbed 29 per cent to $39m.

Profits from outdoor advertising, by contrast, slid 8 per cent to $8.2m, as revenues fell 1 per cent to $63m

For the first half, net income of $210m, or $1.43 a share, was up from $180m, or $1.23, a year before.

● Higher revenues in its information services business were behind a 16 per cent rise in net income at Dow Jones in the second quarter.

The company, whose interests include the Wall Street Journal, said revenues from information services such as the Dow Jones/Telerate services, rose 12 per cent to $239m.

Net income was $46m, or 46 cents a share, for the period, and $86m, or 86 cents, for the first half of 1994. These compare with $40m, or 40 cents, and $71m or 71 cents last time.

US forestal group hit by weakness in wood prices

By Laurie Morse in Chicago

Weyerhaeuser, the US forest products company, saw second-quarter earnings before special items fall to $128.8m, or 62 cents a share, from $181.5m, or 89 cents, in last year's corresponding period.

Sales for the period rose to $2.6bn from $2.4bn last year.

The company said that although pulp and containerboard packaging prices had begun to strengthen, the improvements were offset by weaker wood products prices.

Prices for logs, lumber, and plywood reached historically high levels last year. However, rising interest rates this year have dampened the new home building boom that had underpinned those price increases.

"Our second-quarter results were mixed," said Mr John Creighton, president. "We began to see the benefit from higher prices in our pulp, paper, and packaging businesses at the same time we experienced lower lumber, plywood and oriented strand board prices, and reduced volumes of domestic log sales."

Weyerhaeuser's timberlands and wood products segment turned in second-quarter operating earnings of $243.3m, up slightly from $241.8m.

The company's pulp, paper and packaging businesses recorded earnings of $30.1m in the quarter, down from $44.4m in the second quarter of 1993.

Weyerhaeuser's overall first-half earnings slumped to $255.4m, or $1.24 per share, from $359m or $1.75 in the 1993 first half. Sales for the period were $4.9bn, up slightly from last year's $4.7bn.

Nuovo Pignone appointment

Mr John Blystone has been named president and chief executive officer of Nuovo Pignone, a European manufacturer in which General Electric of the US holds a majority interest, Reuter reports. He was vice-president and general manager of GE Superabrasives.

Hilton Hotels posts solid increase

By Richard Tomkins in New York

Hilton Hotels, the US-based hotel and casino group, bounced back from last year's profit decline and a weak first quarter by reporting a 26 per cent increase in net income to $33.9m for the second quarter.

The improvement was driven mainly by economic growth in the US, which lifted hotel occupancy levels and helped the company improve average daily room rates.

Group revenue rose by 10 per cent to $381.2m. Operating profits on the hotel side shot up 47 per cent to $43.7m, while operating profits on the gaming side fell 2 per cent to $36.7m.

Earnings per share rose 25 per cent to 70 cents.

For the first six months, net income was 13 per cent ahead at $56.6m, excluding the effect of accounting changes. Earnings per share were 13 per cent ahead at $1.17 on the same basis.

Hilton said it was the second successive quarter in which its hotel operations had shown double-digit gains. They had been boosted by good results from the hotels in New York, Chicago, Washington DC, New Orleans and Hawaii, and by a substantial increase in the contribution from luxury Conrad hotels, particularly in Hong Kong.

The gaming side suffered from the loss of 500 rooms at the Flamingo Hilton Las Vegas because of a construction project. However, Mr Barron Hilton, chairman and chief executive, said Hilton was maintaining its leadership in the gaming business in an increasingly competitive environment, both in Nevada and elsewhere.

● Hilton's Conrad Hotels subsidiary is to develop a 500-room five-star hotel in Vietnam's Ho Chi Minh City, helping to ease a shortage of first-class rooms in the former Saigon, AP reports from Hanoi.

The hotel will be part of the planned Saigon South urban development, which includes a world trade centre complex, a financial district and a civic centre.

Construction should start next year, and the hotel should open in 1997.

First Chicago halves profit

By Richard Waters in New York

Trading profits at First Chicago, the first big US bank to report second-quarter earnings, were less than half their record level of a year before.

The bank, however, recovered from the losses in financial markets it suffered in the turbulent first three months of the year.

First Chicago's lower trading profit, at $36.7m – down from $91.6m a year before – is likely to be echoed by other big American commercial banks which are expected to report their figures during the next week.

The reversal in bond and equity markets since the US Federal Reserve first raised interest rates in February has brought to an end a string of record-breaking profits in the financial markets.

First Chicago's second-quarter net income remained level at $168.5m or $1.71 a share, due in part to a number of one-off factors.

The restructuring of Brazil's foreign bank debt added $32m to pre-tax earnings, while the accelerated sale of certain assets brought net gains of $22m. The bank's provision for credit losses fell to $43m, from $70m a year before.

The year-ago quarter had been boosted by $78.7m from the sale of equity investments, compared with gains of only $3.9m this time.

For the first six months, net income of $362.5m or $3.76 a share was up from $347.6m or $3.78 a share a year before.

The bank's return on equity for the half year, at 18.3 per cent, was down from 22.4 per cent while in the second quarter, return on equity slipped to 16.5 per cent.

L'Oréal buys control of Lanvin

By Alice Rawsthorn in Paris

L'Oréal, the world's largest cosmetics group, has taken control of Lanvin, one of France's oldest fashion and perfume houses, by buying part of the stake owned by Orcofi, the luxury goods concern controlled by the Vuitton family.

Orcofi, which has since 1989 shared the ownership of Lanvin with L'Oréal, agreed to sell a 16 per cent stake, reducing its own holding to 34 per cent. L'Oréal will control Lanvin with a 66 per cent majority holding.

L'Oréal and Orcofi acquired Lanvin in 1989. They immediately embarked on an ambitious investment programme to relaunch the company, in the hope of revitalising its brand name in the then-buoyant up-market fashion and beauty business.

However, the luxury goods market has since been depressed by the recession. Lanvin has incurred heavy losses, and is understood to have sustained net deficits of around FFr150m ($28.7m), including restructuring costs, in 1992 and 1993.

Mr Michel Pietrini, the former Chanel executive who orchestrated the relaunch, left Lanvin last year to be replaced by Mr Loïk Armand, a L'Oréal executive.

The new management has since cut costs and restructured the business.

International Paper improves in second term

International Paper achieved earnings of $87m, or 70 cents a share in the second quarter, up 13 per cent from $77m, or 62 cents, in the same 1993 period, writes Laurie Morse.

The second quarter also showed improvement over this year's first quarter, with rising paper and packaging prices boosting profits.

"This quarter's earnings performance reflects the pricing improvements International Paper is now realising in most of our product lines," chairman Mr John Georges said.

Second-quarter sales rose to $3.6bn, from $3.5bn in the same 1993 quarter. The company said price increases for containerboard, pulp and uncoated printing papers had held through the quarter.

FDA approves sale of new Alza heart drug

By Daniel Green

Alza, the California biotechnology company chaired by former Glaxo chief executive Mr Ernest Mario, has won approval from the US Food and Drug Administration to sell the heart drug Dynacirc CR.

Alza specialises in drug delivery systems, such as slow release capsules and skin patches.

Dynacirc CR is a controlled-release version of Dynacirc, a heart drug developed by Swiss pharmaceutical manufacturer Sandoz.

Analysts at stockbroker Lehman Brothers estimate potential sales of Dynacirc CR at up to $100m a year.

Dynacirc belongs to a class of drugs known as calcium antagonists. This market is dominated by US company Pfizer, whose Procardia is one of the world's top three drugs with sales of more than $2bn a year.

Dynacirc CR is the result of a joint effort between Alza and Sandoz. It uses Alza's Oros controlled-release technology based on the principle of osmosis – the movement of a fluid through a membrane – to allow the slow dispersion of the contents of a capsule.

Sandoz, which will be marketing the drug, said it planned to introduce Dynacirc CR in the US in early 1995. The medication will be manufactured by Alza.

Alza made an after-tax profit of $45.6m in 1993.

Latin American foreign borrowings drop to $2bn

By Stephen Fidler, Latin America Editor

Latin American borrowers raised slightly more than $2bn in foreign bond issues in the second quarter of this year, a sharp drop on the previous quarter's $6.42bn and the lowest figure since the third quarter of 1992.

The $8.4bn raised in the first half was 21.5 per cent down on the first half of 1993, according to figures compiled by West Merchant Bank.

The new issue market recovered in June, when $990m in new bonds were issued, from a slump in May when only $345m of bonds were launched.

The second quarter decline – following the rise in US interest rates which started in February – was most marked in Mexico, also hit by political uncertainties in an election year.

New Mexican issues in the second quarter dropped to $995m from $3.46bn in the first; in Argentina the decline was to $904m from $1.14bn and in Brazil to only $81m from $1.15bn.

As a whole, the bank said it expected between $15bn and $17bn of new issues this year, against last year's record $26.6bn.

Redemptions of Latin American bond issues will fall slightly this year – but then rise sharply. The bank estimates about $3.2bn of Latin bond issues will be redeemed this year, down from $3.2bn last year.

But redemptions will rise to $8.0bn in 1995 and $8.4bn in 1996, suggesting a continuing heavy demand for bond finance from issuers in Latin American countries.

Other developments, mostly reflecting the increased caution of investors and a flight to quality, were:

- The average maturity of issues declined. The average for the second quarter for all Latin issuers was 3.2 years, compared with 4.5 years in 1993. Mexico continued to issue the longest dated bonds – an average 3.5 years – but suffered the greatest maturity reduction from an average 6.0 years in 1993.
- Public sector bond issuance has outstripped private sector issuance this year in contrast with 1992 and 1993. This year, 42.2 per cent of the bonds were issued by the private sector, against 60.1 per cent last year and 63.4 per cent in 1992. The fall was almost entirely caused by Mexican borrowers, with the private sector accounting for 29.4 per cent of issuance against 64 per cent last year.
- Floating rate notes have become more important. They accounted for 38 per cent of issues in the second quarter against 22 per cent in the first and 7 per cent last year.

IBJ forms 'bad loans' specialist

By Gerard Baker in Tokyo

The Industrial Bank of Japan (IBJ) announced yesterday the joint establishment with a number of other financial institutions of a company specifically intended to help liquidate bad loans.

Port Island Acceptance Limited Liability, based in Kobe, will formally come into existence today.

The company will begin accepting in September the problem loans to 10 non-banking companies affiliated with Hyogo Bank, a troubled regional bank.

It will be the first "special purpose company" since the ministry of finance allowed the establishment of such companies in February.

Banks with loans to the non-banks will be able to transfer to the new company some of the principal on which interest rates have been cut, allowing them to write off the balance as tax-free losses.

The IBJ and its affiliated companies will be the major shareholders in the company. Other subscribing companies will include The Long Term Credit Bank of Japan, Sumitomo Trust and Banking Corp, the Bank of Tokyo, Sumitomo Life Insurance and Nippon Life Insurance.

The company will be headed by Mr Takao Suzuki, of the IBJ's business co-ordination department.

The scale of the discount at which loans will be transferred to the new company is not yet clear, but analysts believe it could be as high as 40 per cent.

Pacific Dunlop in $75m food deals

By Bruce Jacques in Sydney

Pacific Dunlop, the Australian industrial group, has announced a A$102m (US$75m) investment programme in the food industry, including the purchase of equity in companies in China and Thailand.

Mr Philip Brass, Pacific Dunlop's managing director, said yesterday about half of the investment would be in Australia, and involve upgrades and the expansion of food plants.

The company had also agreed to purchase a 50 per cent interest in Meadow Gold Investment, the Chinese ice cream maker, and 40 per cent of General Pacific Foods, the Thai food group. Pacific Dunlop has also acquired the Asian rights to the Vitari food brand.

Mr Brass said the Chinese and Thai investments had strong expansion prospects.

He said Pacific Dunlop would provide technology, funding, marketing and management services to both operations through its Pacific Brands Food group.

- Parker and Parsley, the US oil group, has won control of 75 per cent of Bridge Oil, the Australian petroleum group, and extended its takeover offer, which was due to close yesterday, until July 27.

Charge of $305m at Prudential Securities

By Patrick Harverson in New York

Prudential Securities, the Wall Street securities firm, announced the addition of $305m to reserves, set aside to settle lawsuits brought by thousands of customers who claim they were defrauded when the firm sold them high-risk limited partnerships in the 1980s.

The addition means Prudential Securities will take a loss of $215m in the second quarter. The firm's parent, Prudential Insurance, has agreed to add $180m to Prudential Securities' capital.

Even without the cost of adding to its reserves, the firm said it would have reported a loss of $35m in the quarter, because of the slump in US stock and bond markets and the slowdown in the domestic brokerage business. In the same quarter a year ago, it made a profit of $35m.

Prudential Securities said it was almost doubling the size of its reserve fund, to $635m, because its settlements with customers were proving larger than anticipated, due primarily to unexpectedly high interest payments.

The securities house has been making reparations to customers since last October. Then, it agreed to pay $371m in fines and restitutions to settle state charges that it defrauded thousands of investors by persuading them to buy more than $8bn of limited partnerships in the 1980s. Many of those high-risk limited partnerships subsequently soured, and investors claimed that they were never told the investments were highly speculative.

Its underestimation of the cost of the legal settlements, and the need for a capital injection from its parent, is a blow for Prudential Securities. When the firm agreed to the multi-million dollar settlement last year, its chief executive, Mr Hardwick Simmons, said he hoped the deal represented "one last punch". But since then, the firm has has lost numerous brokers to rival securities firms.

Merits of open-outcry challenged

The debate over the merits of open-outcry versus screen-based derivatives trading has been revived by a study challenging the widely-held notion that electronic exchanges are inherently less liquid than open-outcry markets.

Open-outcry involves dealers in trading pits competing to execute customers' buy and sell orders. They are joined by local traders, individuals who usually trade their own capital and supply liquidity by absorbing order flow imbalances. In an automated trading system, buyers and sellers feed quotes into a centralised computer system which automatically matches trades according to time and price priority rules.

DERIVATIVES

Open-outcry trading is practised on many exchanges, including the world's largest futures exchange, the Chicago Board of Trade, and Europe's largest, the London International Financial Futures & Options Exchange (Liffe). However, more and more electronic exchanges have been set up in recent years, including Germany's DTB, Switzerland's Soffex and Spain's Meff.

While electronic-trading enthusiasts predict that screen-based markets will eventually supplant pit trading, others counter that computer-based exchanges will never be able to replace open-outcry, largely because it offers unparalleled liquidity. This, many say, is largely provided by locals.

"Locals are an extremely important source of liquidity as they provide depth to the market, especially when it gets choppy," says Mr Daniel Hodson, Liffe's chief executive.

However, a study for the Chicago-based Catalyst Institute by Mr Craig Pirrong, of the University of Michigan, casts doubt on this conventional wisdom.

Based on a one-year examination (July 1992 to June 1993) of the German 10-year government bond futures contract traded on Liffe and DTB, the study rejects the widely-held view that Liffe's contract has greater depth and liquidity than DTB's and cites empirical evidence indicating that the opposite may be true. Moreover, it argues that locals are not necessary to provide liquidity in an automated futures market.

As Mr Pirrong defines it, a market is liquid when traders can buy and sell without substantially moving the price against them, and deep if traders can buy and sell in large quantities without substantially moving the price against them.

To evaluate the contract's liquidity, Mr Pirrong studied two factors on each exchange: the spread between bid and offer prices, which is widely believed to reflect liquidity (the tighter the spread, the more liquid the market); and the market depth.

His analysis of bid-offer spreads concludes that "for the period [studied], bid-ask spreads on the DTB were no higher, and were possibly lower, than the spreads on Liffe". Moreover, "the DTB market was deeper than Liffe; increases in volume on Liffe substantially increased price volatility during this period, whereas increases in volume on DTB had no such effect on volatility".

Further enhancing the DTB market's depth, the study argues, is the fact that the exchange's order book, showing the 10 best bid and offer prices in the market, provides traders with an insight into market depth which Liffe dealers lack. Moreover, it notes that in hectic trading conditions, high volume can lead to "market fragmentation" in open-outcry pits, where different prices can be quoted at the same time. This is impossible on an electronic exchange.

The study also argues that locals, who tend not to participate in computerised exchanges, are not needed to provide liquidity there. "Virtually all liquidity on the DTB is provided by large institutional traders and market-making firms. These firms can bring substantial capital to the market and this facilitates the operation of a deep and liquid market," the study says.

Some observers complain that locals sometimes engage in practices which can distort market prices, such as stepping in ahead of large customer orders as they are being relayed to brokers in the pit. This often means that by the time the order hits the market, the price has already moved against it.

Nevertheless, locals remain a crucial element of a liquid futures market, says a senior dealer. "They do a very good job moving the market around and keeping things going," he says.

One point worth noting is that the DTB's bund future actually benefits from the liquidity provided by Liffe's locals. "You can't look at the two contracts separately – they are very much linked by arbitrage trading," says a dealer. He also points out that the bund future on DTB, which opens half an hour before Liffe, often does not show a clear trend until Liffe begins trading. "The real price discovery occurs on Liffe," he says.

Liffe's Mr Hodson argues that measuring a market's depth by looking at an order book is not particularly useful. "The capital on Liffe is there when you need it – you don't have to have a huge order book to demonstrate this," he says.

"The reason people trade on Liffe is that they know they can get out a reasonable price if the water gets choppy, and the locals play a very important part" in this process, he adds. Besides, "you only have to take a look at the volumes to see where the liquidity lies", he says, noting that 72 per cent of bund futures turnover is done on Liffe.

Conner Middelmann

Toyota cuts domestic sales target to 2.13m

By Michiyo Nakamoto in Tokyo

Toyota is unlikely to meet its target for car sales in the domestic market this year due to a sharp drop in sales between January and April, the company said.

Mr Tatsuro Toyoda, president of Japan's largest carmaker, said the company was now forecasting domestic sales of 2.13m units rather than the 2.17m forecast earlier in the year. The figure was still 3 per cent up on last year when domestic sales totalled 2.07m vehicles.

Exports, on the other hand, are expected to be higher than earlier forecast at 1.44m vehicles, while overseas production is likely to increase to 1.04m units – up from a forecast 1.02m units, the company said.

Mr Toyoda also indicated that the company expected an average exchange rate of Y105 to the dollar for the fiscal year beginning this month. At that rate, the company should be able to increase pre-tax profits in fiscal 1994 to more than the Y200bn (US$2bn) forecast for the year just ended from July 1993 to June 1994.

Global offer planned for China Steel shares

By Laura Tyson in Taipei

The Taiwan government is planning to sell up to 450m of its shares in state-run China Steel Corp, the country's largest steelmaker, through an offering of global depository receipts as early as September. The shares represent about 6 per cent of the company's equity.

The government is also planning to sell another 198m common shares to domestic investors late this month as part of the company's phased privatisation, said an official in the economics ministry's commission of national corporations. Some of the shares will be distributed though private placement and the remainder offered to the public.

Lead underwriter China Development Corp said the shares would be priced between NT$21.71 (81 US cents) – the fixed price in a March share issue – and NT$32. CSC shares traded on the Taiwan stock exchange closed down NT30 cents at NT$27.3 yesterday.

The March issue came at a time of waning market sentiment and was not regarded as a success.

INTERNATIONAL CAPITAL MARKETS

European sector eases on dollar support rumours

By Graham Bowley and Conner Middelmann in London and Patrick Harverson in New York

European government bonds fell back yesterday on rumours that the US Federal Reserve may act soon to support the dollar by raising official short-term interest rates.

The shift out of US bonds into European bonds, triggered by the weakness in the dollar, which caused European markets to rally in recent days, also seemed to have slowed as the US currency regained some of its composure.

The interest rate rumours were triggered by US data showing a 0.3 per cent rise in consumer prices in June.

■ The more pessimistic tone in the German government bond market was compounded by disappointment over the Bundesbank's two basis point cut in its securities repurchase rate, from 4.93 to 4.91 per cent.

"Cuts in the repo rate have become smaller and smaller in recent weeks, suggesting that the Bundesbank is reluctant to lower interest rates further in the near term," said Mr Adam Chester, international bond strategist at Yamaichi.

Analysts said that data showing a rise in West German wholesale prices in June of 0.8 per cent, which was above expectations, had provided an excuse for the market to sell-off.

■ French government bonds ended the day off their highs as investors squared their positions in thin trading ahead of the Bastille holiday today and tomorrow when French markets will be closed.

■ UK gilts rose sharply in early trading, boosted by weaker than expected retail prices and employment data, but afternoon rumours of a another US interest rate hike triggered profit-taking at the long end of the yield curve, leaving prices to close only slightly higher on the day.

As traders began to focus on Friday's gilt auction announcement, the Bank of England's announcement that it would issue £800m in tranches of existing bonds from today put a further damper on the market's mood.

"The obvious interpretation is that Bank is keen to take advantage of the market's positive sentiment in recent days," said Mr Peter Fellner, gilts strategist at NatWest Markets.

However, many participants said that investor demand remained subdued in recent sessions. "We haven't yet got to the point where investors are willing to chase the market aggressively," a dealer said.

■ Italian bonds ended the day slightly weaker on profit-taking after Tuesday's strong gains. However, prices held up moderately well as dealers anticipated good news from the government on its fiscal plans.

Still, with most of the package's details leaked in recent days, "it will be hard to surprise on the positive side," said Mr Jouni Kokko, international economist at S.G. Warburg Securities. There are widespread hopes that the government will announce dramatic cuts in health and pensions spending to cut the country's heavy fiscal deficit.

■ Spanish bonds rose half a point amid fresh hopes that Spanish short-term rates could ease further after yesterday's encouraging June inflation data. The headline rate rose by 0.1 per cent on the month, bringing the year-on-year rate to 4.7 per cent. Analysts were particularly encouraged by the 0.8 per cent fall in service costs.

■ In Sweden, bonds weakened again ahead of the special meeting of the parliament's finance committee, the auction of SKr12.5bn of Treasury bills and the release of June inflation numbers, all slated for today. The yield on the benchmark bond due 2003 rose by seven basis points to 10.87 per cent.

■ US Treasury prices held steady across the maturity range yesterday morning in the wake of a consumer prices report that was in line with market expectations.

At midday, the benchmark 30-year government bond was down 1/16 at 83 3/16, yielding 7.688 per cent, and the two-year note was up 1/32 at 99 25/32, to yield 6.204 per cent.

After Tuesday's better-than-expected June producer prices report had lifted bonds, investors were hoping yesterday that the second half of the June inflation data – the consumer prices figures – would be equally positive.

The figures, however, proved unexciting, with the 0.3 per cent increase reported in the consumer prices index falling in line with economists' forecasts.

A similar-sized increase in "core" consumer prices (minus the volatile food and energy components) was also as expected, and consequently, there was little reaction from bond prices, which traded in a narrow range either side of opening values throughout the morning session.

GOVERNMENT BONDS

Liberty Life cuts convertible issue

By Graham Bowley

Liberty Life, South Africa's largest life insurance company, has been forced to reduce its offering of convertible bonds, to $300m from the planned $360m to $500m range.

Poor demand from investors in the US was blamed for the shortfall in the issue, which was priced yesterday by lead manager Robert Fleming.

But the first global offering of convertible bonds by a South African company was hailed as a success by some.

"The sale represents a considerable achievement in what have been extremely difficult and uncertain currency and bond markets globally and given a market that is highly unpredictable," said Mr James Knowles, equity syndicate manager at Kleinwort Benson.

"The size of the offering was appropriate for demand and will provide a useful benchmark. It will be a precursor to a substantial inflow of funds into South Africa," he said.

However, the shortfall will throw doubt on the country's to return to the international capital markets after its first non-racial elections in May.

It was hoped the offering would pave the way for a spate of financings by the country's under-borrowed corporate sector, and was seen as a test of market sentiment following the resignation of Mr Derek Keys, the South African finance minster, on July 5.

"Although it is believed the US was disappointing, there was very strong interest in Europe," said Mr Roddie Fleming, a director of Robert Fleming. "The US seems to have been far more affected by Mr Keys' resignation."

However, an analyst in London said: "This deal has not worked and it is not surprising. Very few people believed that it would be successful."

The bonds, due in 2004, with a semi-annual coupon of 6.5 per cent are non-callable for at least the first five years and have "soft protection" for the remaining five years. They are convertible into ordinary shares of Liberty Life at R106.68 per share, representing a premium of 10.4 per cent.

Robert Fleming has the option of subscribing for up to an additional $60m of the bonds.

AMP offshoot alters Japan stock portfolio

By Tracy Corrigan

AMP Asset Management, the investment management arm of the Australian insurance company, said yesterday that it has completed $650m-worth of trades in the last four days, in a restructuring of its Japanese stock portfolio. The trade, completed by Morgan Stanley, is believed to be one of the largest rebalancings of an actively managed Japanese portfolio.

The trade consisted of 73 stock positions across 21 accounts.

The changes were initiated by Mr Zac Bharucha, AMPAM's new Japanese portfolio manager, and comprised changes in specific stocks, rather than a shift in the weightings of specific sectors.

Crédit Foncier's Y75bn offering proves attractive

By Tracy Corrigan

Crédit Foncier de France's Y75bn offering of eight-year bonds yesterday commanded most of the attention in the Eurobond market, which is still absorbing two large dollar fixed-rate offerings launched on Tuesday.

Finland's and Freddie Mac's global offerings, totalling $1.5bn each, were both priced yesterday.

Dealers said demand for paper had been helped by the improvement in the dollar's performance yesterday.

Finland's 10-year issue, priced at 55 basis points over the 10-year Treasury, was bid at its launch spread of 55 basis points at the end of the day's trading.

According to one of the underwriters, around 20 per cent was placed in Asia, with the remainder split between the US and Europe. Freddie Mac's five-year deal was priced at 17 basis points over the curve, in the middle of the indicated range. At the end of the day, it was trading at 18 basis points over the five-year Treasury.

Crédit Foncier's deal was shortened to eight years from an initially-planned maturity of 10 years, due to oversupply in the 10-year area, according to co-lead manager Morgan Stanley.

Dealers said the issue was very attractively priced. With a coupon of 4.75 per cent, the bonds proved attractive to asset-swappers, who were able to swap the bonds for floating-rate assets paying around 18 basis points over yen Libor.

According to dealers, asset swaps on the bonds were completed into dollars and French francs, as well as yen.

"Clearly, the deal was very cheaply priced," said one underwriter. "We have been taking calls from people trying to get hold of the bonds all day."

In the lira market, the European Investment Bank launched a L400bn offering of 10.15 per cent bonds due 1998, fungible with an existing L1,000bn deal, making it by far the largest offering in the Eurolira sector.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
YEN							
Crédit Foncier de France(a)	75bn	4.75	99.50R	Aug.2002	0.30R	-	IBJ Intl./ Morgan Stanley
STERLING							
Residential Prop.Secs.(b,d)‡	290	(b1)	99.945R	Jul.2023	0.10R	-	NatWest Capital Markets
Residential Prop.Secs.(c,d)‡	180	(c1)	99.865R	Jul.2023	undisd.	-	NatWest Capital Markets
CANADIAN DOLLARS							
Bayerische Landesbank	100	9.50	99.238R	Aug.2004	0.325R	+25 (8½%-04)	ScotiaMcLeod
ITALIAN LIRE							
European Investment Bank(e)	400bn	10.15	101.42	Jul.1998	1.375	-	BCI/BNL/Credito Italiano
SWISS FRANCS							
European Investment Bank	200	5.25	102.25	Aug.2001	-	-	Swiss Bank Corp.
JFM	150	5.50	102.75	Aug.2004	-	-	IBJ (Switz.)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. R: fixed re-offer price; fees are shown at the re-offer level. ‡Floating rate note. a) Short 1st & 2nd coupons. b) Class A1. Average life: 1.94 yrs. b1) 3-mth Libor +15bp to Jul.01 and +30bp thereafter. c) Class A2. Average life: 6.30 yrs. c1) 3-mth Libor +22½bp to Jul.01 and +50bp thereafter. d) Long 1st coupon. Callable on coupon dates from Jul.01 at par. £25m cleanup call. Class A3 of £30m were privately placed. e) Fungible with L1000bn. Plus 38 days accrued.

SBC forms unit in Milan

By Tracy Corrigan

Swiss Bank Corporation has set up a securities unit in Milan, SBS Società di Intermediazione Mobiliare (SBS SIM).

The introductory or "raccolta ordini" SIM, which opened for business on Monday, will focus on marketing SBC products to Italian clients, across the main product areas of cash, equities, bonds and derivatives. It may apply to make markets in Italian bonds or equities at a later date.

Mr Rudi Bogni, chief executive of SBC in London, will be chairman of the SIM, and Mr Massimo Perazzo vice chairman and managing director. The SIM is expected to have a staff of 25.

SBC already has a mergers and acquisitions subsidiary, Società di Mergers & Acquisitions, in Italy, and has recently been authorised to lead-manage Eurolira bond issues, the first of which, a L200bn deal for Osterreichische Kontrollbank, was launched last week.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	95.9500	+0.310	9.63	9.70	8.84
Belgium		7.250	04/04	95.7000	–0.150	7.89	8.25	7.97
Canada *		6.500	06/04	83.0500	+0.550	9.14	9.24	9.06
Denmark		7.000	12/04	91.2500	–	8.26	8.50	8.09
France	BTAN	8.000	05/98	104.6200	+0.770	6.90	6.90	6.81
	OAT	5.500	04/04	87.3300	+0.090	7.38	7.62	7.55
Germany Treuhand		6.750	05/04	98.3900	+0.090	6.83	7.08	7.12
Italy		8.500	01/04	89.7700	+0.320	10.21†	10.56	10.27
Japan	No 119	4.800	06/99	105.2090	–	3.56	3.60	3.53
	No 164	4.100	12/03	97.8680	–0.590	4.42	4.35	4.20
Netherlands		5.750	01/04	91.9800	–0.180	6.92	7.11	7.18
Spain		8.000	05/04	84.7000	+0.550	10.58	11.11	10.32
UK Gilts		6.000	08/99	92–06	+13/32	7.90	8.31	8.09
		6.750	11/04	89–26	+10/32	8.21	8.63	8.50
		9.000	10/08	105–24	+8/32	8.30	8.65	8.54
US Treasury *		7.250	05/04	98–26	+8/32	7.42	7.32	7.01
		6.250	08/23	83–12	+10/32	7.69	7.61	7.32
ECU (French Govt)		6.000	04/04	87.5700	+0.350	7.86	8.18	7.94

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	4.30	Two year	6.22
Prime rate	7¼	Two month	4.37	Three year	6.57
Broker loan rate	5½	Three month	4.54	Five year	7.04
Fed.funds	4¼	Six month	5.05	10-year	7.42
Fed.funds at intervention	-	One year	5.52	30-year	7.68

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	116.74	116.28	+0.06	116.86	116.12	125,208	127,911
Dec	115.96	115.48	+0.06	116.00	115.78	585	13,023
Mar	115.24	114.78	+0.06	115.24	114.80	487	1,747

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Aug	Calls Sep	Calls Dec	Puts Aug	Puts Sep	Puts Dec
114	-	-	-	0.27	0.86	1.85
115	1.91	2.45	-	0.50	1.20	2.20
116	-	1.88	-	0.81	1.55	2.60
117	0.52	1.33	-	1.25	1.89	-
118	0.28	0.82	1.20	-	2.44	-

Est. vol. total, Calls 20,767 Puts 89,802. Previous day's open int., Calls 344,117 Puts 385,157.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.61	93.26	-0.29	93.92	93.12	136228	153651
Dec	93.00	92.61	-0.29	93.10	92.50	2013	8093

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
9300	0.68	1.28	1.23	1.54	0.41	1.00	1.62	1.93
9350	0.43	1.00	0.96	1.30	0.65	1.22	1.88	2.19
9400	0.22	0.75	0.76	1.10	0.94	1.47	2.15	2.48

Est. vol. total, Calls 14341 Puts 26026. Previous day's open int., Calls 272101 Puts 254480

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	96.44	-0.06	-	-	0	78

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	104.98	104.73	-0.10	105.51	104.35	40477	59046
Dec	-	103.53	-0.10	-	-	0	110

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
10450	1.85	2.81	1.72	3.78
10500	1.67	2.60	1.94	4.07
10550	1.43	2.40	2.20	4.37

Est. vol. total, Calls 1138 Puts 1518. Previous day's open int., Calls 30888 Puts 28227

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	89.40	89.82	+0.59	90.14	89.21	59,550	104,932
Dec	-	89.10	-	-	-	-	33

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102-30	103-08	+0-13	103-27	102-30	76763	117383
Dec	102-15	102-12	+0-17	102-15	102-04	735	824

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
103	1-55	2-61	1-39	3-37
104	1-23	2-33	2-07	4-09
105	0-62	2-09	2-46	4-49

Est. vol. total, Calls 4530 Puts 5734. Previous day's open int., Calls 68793 Puts 49098

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	84.30	84.24	+0.44	84.40	83.80	1,885	8,398
Dec	-	83.80	+0.44	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	100-26	100-20	-0-06	101-05	100-17	476,112	379,070
Dec	100-00	99-26	-0-06	100-11	99-25	2,579	55,667
Mar	99-14	99-02	-0-08	99-19	99-06	61	4,124

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	109.20	-	-	109.29	109.03	3161	0
Dec	108.16	-	-	108.16	108.16	100	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Jul 13	Day's change %	Tue Jul 12	Accrued interest	xd adj. ytd		Low coupon yield Jul 13	Jul 12	Yr. ago	Medium coupon yield Jul 13	Jul 12	Yr. ago	High coupon yield Jul 13	Jul 12	Yr. ago
1 Up to 5 years (24)	122.34	+0.24	122.05	2.10	5.82	5 yrs	7.98	8.07	6.75	8.18	8.24	6.90	8.26	8.32	7.08
2 5-15 years (22)	142.64	+0.24	142.30	2.35	6.71	15 yrs	8.20	8.22	7.74	8.33	8.36	7.84	8.61	8.62	8.09
3 Over 15 years (9)	160.38	+0.19	160.06	2.27	6.57	20 yrs	8.16	8.18	7.90	8.33	8.36	7.96	8.45	8.46	8.13
4 Irredeemables (6)	182.54	+0.35	181.90	1.72	7.36	Irred.†	8.26	8.29	8.05						
5 All stocks (61)	139.99	+0.23	139.66	2.27	6.43										

Index-linked							Inflation 5% Jul 13	Jul 12	Yr. ago	Inflation 10% Jul 13	Jul 12	Yr. ago
6 Up to 5 years (2)	186.64	-0.03	186.69	1.41	2.53	Up to 5 yrs	3.68	3.82	2.75	2.55	2.84	1.92
7 Over 5 years (11)	171.98	+0.02	171.95	0.84	2.94	Over 5 yrs	3.86	3.89	3.43	3.66	3.71	3.24
8 All stocks (13)	172.62	+0.01	172.60	0.71	2.88							

Debentures and Loans						5 year yield Jul 13	Jul 12	Yr. ago	15 year yield Jul 13	Jul 12	Yr. ago	25 year yield Jul 13	Jul 12	Yr. ago
9 Debs & Loans (78)	131.41	+0.13	131.24	2.54	5.84	9.39	9.43	8.35	9.30	9.32	8.82	9.24	9.25	9.01

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	July 13	July 12	July 11	July 8	July 7	Yr ago	High*	Low*
Govt. Secs. (UK)	93.75	93.42	92.66	92.14	92.06	98.46	107.04	90.99
Fixed Interest	111.83	111.00	109.66	109.52	109.25	116.84	133.87	107.33

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	July 12	July 11	July 8	July 7	July 6
Gilt Edged bargains	97.6	79.6	80.2	71.8	92.5
5-day average	83.4	81.7	80.4	82.1	86.0

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on July 13

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
[illegible]					
United Kingdom 7¼ 97	5500	102⅜	102⅞	+⅛	6.16
Abbey Natl Treasury 8.03 £	1000	93¾	94	+⅛	9.08
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
[illegible]						

• Tap stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

Loss on disposal of pectin side and UK provisions total £17.6m

Bulmer declines to £3.9m

By Paul Taylor

HP Bulmer, the Hereford cider maker which recently announced further restructuring plans including a withdrawal from the soft drinks market, yesterday reported a sharp decline in full-year pre-tax profits reflecting exceptional write-offs.

Pre-tax profits fell from £19.6m to £3.88m in the year to April 29. The latest pre-tax figure was struck after the group recorded a £9.76m loss on the disposal of its pectin manufacturing interests, announced in November, and took a £7.84m provision to cover the fundamental restructuring of its UK operations, announced in May.

However, profits before exceptional items increased by 9.8 per cent to £21.5m (£19.6m) reflecting the strength of the group's brands in the UK, Australia and Belgium, markets which have all faced increased competition and pressure on margins. In spite of these pressures operating margins from drinks activities continued to improve from 9.5 per cent to 10.4 per cent.

Turnover edged up by 1 per cent to £254.6m (£251.8m) including £6.3m (£12.5m) from discontinued operations. The modest rise in turnover masked strong growth from the group's cider business which compensated for a decline in soft drinks following the termination of the Perrier/Buxton mineral water distribution agreement in March.

After a reduced tax charge there were losses per share of 0.89p compared with earnings of 22.89p. In spite of this, the directors are recommending an increased 6.8p (6.4p) final dividend making a total for the year of 10.8p (10.15p).

The shares closed 1p lower at 364p.

John Rudgard (left) with Mike Ward, finance director

Mr John Rudgard, chief executive, said the results were "a satisfactory performance in a competitive market." He noted that the group's share of the important draught cider market in the UK continued to grow, reaching 55 per cent last year.

Bulmer's on-trade volumes expanded by 3 per cent while buoyant Strongbow sales in the off-trade helped the group to boost volumes by 6 per cent in spite of strong growth at the economy end of the market.

In the premium sector, Scrumpy Jack's 40 per cent year-on-year growth substantially outstripped sector growth of 12 per cent.

Bulmer's beer portfolio volumes increased modestly within a market that continues to be highly competitive.

Operating profits from the Australian business rose 25 per cent to £2.97m, while in its first full year Cidrerie Stassen in Belgium produced operating profits of £1.34m.

● COMMENT

Bulmer's decision in May to restructure its business with the loss of up to 300 jobs is a sensible response to the competitive pressures in the domestic cider market which nevertheless is continuing to grow. The move will eventually take about £6.5m out of annual costs – funds which are expected to be reinvested at least in part in the group's solid brand portfolio. Overseas activities, including export sales from Hereford, now represent 21 per cent of group operating profits and the company is looking to increase this further. This year Bulmer's pre-tax profits should reach £24m producing earnings of 29p. The shares are trading on a prospective multiple of 12.55 and look fairly priced.

Abbott Mead to purchase Redwood for £2.85m

By Diane Summers, Marketing Correspondent

Abbott Mead Vickers, the advertising group, announced yesterday that it had agreed to buy Redwood Publishing, the contract publisher, best-known for its American Express, Marks and Spencer, and Inter-City magazines, for an initial cash payment of £2.85m.

AMV also said 537,879 new ordinary shares were being placed by Hambros Bank at 660p apiece to raise £3.35m, net of expenses. The balance will be used by Redwood as additional working capital. Brokers are SG Warburg and dealing is expected to start tomorrow.

Four additional payments, dependent on Redwoods' performance until the end of 1998, are also to be made. Redwood's unaudited pre-tax profits for the first five months of 1994 were £300,000.

AMV shares rose 1p to close at 670p.

Mr Peter Mead, AMV group chief executive, said that customer magazines had come of age over the past few years and Redwood's magazines were "carefully focused towards existing customers of each of their clients".

There was considerable synergy between AMV's and Redwood's activities, and the purchase was part of the group's strategy of offering integrated marketing to clients, he said.

Redwood was formed in December 1993 after the BBC, which partly owned the company's predecessor, WPL, decided to sell its contract publishing interests, retaining just its consumer magazines.

Mr Michael Potter and Mr Christopher Ward, founders and senior directors of Redwood, will run the business as a separate company within the AMV group.

Correction

JW Spear

JW Spear's merchant bank, which handled its successful sale to Mattel, was Barings not Hambros as stated yesterday.

Cray 10% down on lack of exceptional gains

By Paul Taylor

The absence of exceptional gains resulted in a 10 per cent decline in pre-tax profits at Cray Electronics Holdings from £29m to £26.2m in the year to April 30.

Strong underlying growth at the operating level saw the contribution from continuing operations advance by 53 per cent to £25.8m (£16.8m). However, the comparable pre-tax result was swollen by £8.05m profits on disposals and £3.43m of foreign exchange gains.

Turnover in the period under review from continuing operations increased by 50 per cent to £244.1m (£162.2m). This included a full-year contribution from the Dowty IT business, which was acquired in August 1992, and an initial £38.3m contribution from the P-E International business, which was acquired for £16.2m in September. Discontinued operations added another £27.7m (£38.6m) to total sales.

Earnings per share fell from 13.8p to 8.6p. An increased final dividend of 1.5p (1p) is proposed, making a total for the year of 2.25p (1.5p).

Profit from continuing operations included an initial £767,000 contribution from P-E International. The discontinued Cray Technology operations, which were all sold during the year, added another £473,000 to operating profits. A £235,000 loss was carried on the disposal.

Net interest receipts of £146,000 compared with £871,000 of costs previously. The group ended April with net cash of £15.6m, up from £12.8m.

At the divisional level the advance was again led by Cray Communications, which boosted its input to £20.9m (£12.7m) on turnover of £165.3m (£127m). Margins improved from 11 per cent to 13 per cent and divisional research and development expenditure increased to £20m.

Cray Systems, which now includes the P-E Computer Services business, lifted turnover to £57.6m (£35.2m) including organic growth of 15 per cent. Profits of £4.51m (£3.71m) represented a reduced 8 per cent (11 per cent) margin on turnover which reflected the inclusion of the loss-making P-E operations.

The P-E International management consultancy business reported profits of £581,000 on turnover of £21.1m.

● COMMENT

The reorganisation of the Cray businesses is now complete, the P-E International operations have been integrated and the group is now organised into three distinct divisions. Despite persistent rumours of a possible bid for Racal, Cray's management makes it clear that attention is clearly focused on expanding these core businesses internationally – mainly by organic means – and achieving further margin improvements. In particular the management has has set a 20 per cent margin target for the core communications division, which has a strong and expanding product portfolio. Pre-tax profits of £33.2m look possible this year, generating earnings of 10.6p. The shares are trading on a deserved premium prospective p/e of just under 18.

PSIT rises to £12m as property values improve

By Simon Davies

PSIT, the investment company formerly known as Property Security Investment Trust, yesterday announced that pre-tax profits for the year to March increased by 24 per cent to £12m, against £9.66m.

The company's net asset value per share rose 18 per cent to 168p (142p), reflecting improving property values in the UK.

Total investment rents rose by £1.2m to £20.8m, and the company benefited from lower interest rates and lower debt levels, a result of its reduced property development programme. Interest payable fell from £11.1m to £9m.

Income from investment securities amounted to £2.49m (£2.14m) and the company raised £314,000 from the sale of investment securities, compared with £999,000 in 1993.

Mr Albert Perry, chairman, said: "We continue to look for properties or sites which can both produce income and offer the potential for future development, and we are currently in negotiations for further acquisitions."

PSIT's extension of its Australian shopping centre has been completed and is 98 per cent occupied. New highways are under construction on its Florida site. The company has also achieved further lettings on properties in Hampshire and Cheshire.

A final dividend of 2.875p is proposed, making a total for the year of 4.625p (4.125p). Earnings per share were 7.03p (5.86p).

Bonuses of £1.6m for CE Heath executives

By Richard Lapper

Two executive directors of CE Heath, the insurance broker, were given bonuses totalling £1.6m in the year to March 31, according to the annual report.

The payments, intended to reward past performance and secure future loyalty, indicate the value of leading personnel to commercial insurance and reinsurance brokers. In the last few years, several have been hit by staff defections

Mr John Mackenzie Green, group managing director, received a total of £1m – in addition to his salary of £183,315 and a profit-related bonus of £43,000.

Mr Peter Presland, chief executive, received loyalty bonuses totalling £600,000 on top of his £188,278 salary and a £29,172 profit-related bonus.

The discretionary bonuses amounted to £400,000 for Mr Mackenzie Green and £240,000 for Mr Presland. Loyalty payments were £600,000 for Mr Mackenzie Green and £360,000 for Mr Presland.

Overall the group paid some £2.3m in loyalty payments. These payments are repayable if notice is given – other than in certain limited circumstances – before March 31 1997 of the termination of the recipient's service contract with the company.

A new incentives scheme will take effect in 1997. The bonus payments will be charged to the company's profit and loss account over the next three years.

Sharp increase in activity helps Savills rise to £3.24m

By Simon Davies

A sharp increase in activity in both the commercial and residential property markets last year helped pre-tax profits at Savills, the estate agent and surveyor, to more than double.

Pre-tax profits were £3.24m (£1.44m) for the year to April 30 on an increase in turnover of only 26 per cent to £31.9m (£25.3m). The shares closed 2p higher at 83p.

Mr George Inge, chairman, said: "There seems to be some uncertainty within the financial markets generally, which may impact on investor sentiment, but so far has had little effect on our residential side."

The commercial division saw a 25 per cent increase in sales to £13.4m producing an 82 per cent rise in operating profit to £1.49m (£819,000).

The investment team had a record year, and was involved in transactions worth £600m. Savills also benefited from the management contract for the Canary Wharf administrators. However, Mr Inge warned that it would be difficult for the division to exceed last year's earnings.

The agricultural and residential division reported operating profits up by 2.5 times to £1.19m, on a 23 per cent increase in sales to £17.9m, helped by a sharp recovery in luxury residential prices.

Savills sold £425m of residential property during the period, a £100m increase from 1993. Mr Inge said that foreign purchasers had accounted for 40 per cent of its London residential sales.

The company also benefited from a nine month contribution from its new finance arm, which made profits before interest and tax of £221,000. Mr Inge said this would be an important area of growth.

Savills is providing corporate finance and debt financing advice, but with £10m of cash on its balance sheet, it plans to start providing direct finance for transactions.

It also intends to sponsor a number of property funds, in which Savills would be prepared to take a direct stake.

The company recommended a final dividend of 1.5p, making 2.25p for the year, up from 1p. Earnings per share were 6.2p (2.2p).

Norton revival plans close to collapse as backers fall out

By Tim Burt

Moves to revive Norton, one of the most famous names in British motorcycling, appeared close to collapse yesterday amid a bitter row between the company's Canadian backers.

The dispute follows the group's failure to secure a full listing in North America and has split Wildrose Ventures, the Vancouver-based investment vehicle which bought Norton for C$1m (£400,000) last year.

Ms Rozanda Skalbania, who had been managing Norton Motors (1993), has left the company and lawyers acting for the Aquilini family, Canadian property developers who hold 10 per cent of Wildrose, are understood to have taken over at the group's Midlands plant.

Their arrival comes after months of frantic and increasingly bizarre efforts to generate funds to restart motorcycle production and develop new uses for Norton's rotary engine technology.

Those efforts centred on Norton BSA, a former shell company listed on the US bulletin board in pink sheet securities. After that failed to raise the necessary working capital, Ms Skalbania tried to recall and auction 10 vintage Norton motorcycles on permanent loan to a number of museums. The museums refused to hand over the exhibits.

Other money-making initiatives included a joint venture with MiG, the Russian aircraft manufacturer, to produce bicycles from recycled titanium and plans to produce Norton BSA skis.

With little sign of Norton receiving its much needed cash injection, the workforce called a meeting with Ms Skalbania and demanded action.

They told her that with working capital in short supply "we are becoming increasingly more concerned about the future of the company and more so, our jobs".

The developments have prompted concern among industry analysts, who yesterday said they were pessimistic about Norton's survival.

"Norton's future depended on selling the brand name, but that's not happened," said one analyst. "I'd be surprised if there was anything left to revive."

Control Techniques stake agreement expires

By Caroline Southey

The standstill agreement between Control Techniques and Emerson Electric of the US, which holds 29.37 per cent of the Powys-based electronic drives and controls company, expired yesterday.

Under the agreement, struck in 1991, Emerson undertook not to increase its shareholding in Control Techniques. Mr Trevor Wheatley, chairman of Control Techniques, said yesterday he was "not aware of Emerson's intentions." The US company was unavailable for comment.

However, Control Techniques said it was holding talks with Emerson over the US company's 20 per cent stake in CT Drives, the drives systems manufacturer based in Grand Island, New York. Control Techniques acquired 80 per cent of CT Drives from Emerson in 1991.

Under the agreement, Control Techniques had the option to increase its stake in CT Drives, payable in cash or shares.

Control Techniques said it understood that Emerson did not wish to take up the option to lift its stake, which would trigger a takeover bid for it by the US company.

Control Techniques shares closed 9p down at 894p.

Pre-tax profits at Control Techniques in the six months to March 31, were £3.84m after US reorganisation costs of £600,000. In the comparable period profits were £3.72m after reorganisation costs of £200,000.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Aberforth Split ....fin	2.45	Sept 2	2.4	8.45	8.4
Bulmer (HP) ....fin	6.8	-	6.4	10.8	10.15
BWD Securities§ ....int	1.7	Oct 3	1.5	-	4
Colorvision ....fin	nil	-	3.1	2.5	5.6
Cray Electron ....fin	1.5†	Sept 14	1	2.25	1.5
Equity Cons ord ....fin	13.8375	Aug 30	13.5	24.9	24.5625
deferred ....fin	27.075	Aug 30	27	40.2	40.125
Fleming Int High ....fin	2.5675	Sept 8	2.5675	3.5675	3.5675
Malvern UK Index ....int	1.7	Sept 9	1.7	-	4
Owners Abroad ....int	1.4	Nov 1	1.4	-	3.5
PSIT ....fin	2.875	Oct 3	2.625	4.625	4.125
Savills ....fin	1.5	-	1	2.25	1
Trifast ....fin	0.86	Aug 25	-	0.86	-

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

PUBLIC WORKS LOAN BOARD RATES

Effective July 12

	Quota loans*					
	'Lower' quota rates			'Higher' quota rates		
Years	EPI†	A††	maturity§	EPI†	A††	maturity§
1	-	-	5⅞	-	-	6
Over 1 up to 2	6⅛	6¼	7¼	6¼	6⅜	7⅜
Over 2 up to 3	6⅞	6⅞	7⅞	7	7	8
Over 3 up to 4	7⅜	7½	8⅜	7½	7⅝	8½
Over 4 up to 5	7¾	7⅞	8⅝	7⅞	8	8¾
Over 5 up to 6	8	8⅛	8¾	8⅛	8¼	8⅞
Over 6 up to 7	8¼	8⅜	8⅞	8⅜	8½	9
Over 7 up to 8	8⅜	8½	8⅞	8½	8⅝	9⅛
Over 8 up to 9	8½	8⅝	8⅞	8⅝	8¾	9¼
Over 9 up to 10	8⅝	8¾	8⅞	8¾	8⅞	9¼
Over 10 up to 15	8⅞	8⅞	8⅞	9⅛	9¼	9¼
Over 15 up to 25	8⅞	8⅞	8¾	9¼	9¼	9⅛
Over 25	8¾	8¾	8⅝	9⅛	9	9

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Great Southern offer extended

By Simon Davies

Service Corporation International, the US funeral company, has extended its 600p a share offer until August 2 for Great Southern Group, despite receiving acceptances for 0.11 per cent of the UK funeral operator's shares by the first closing date.

A separate offer has been made to shareholders of JD Field, which owns 56.1 per cent of Great Southern. SCI has received no acceptances from JD Field shareholders, who are primarily trusts related to the Field family.

Castle Comms jumps 58p on offer talks

By David Wighton

The share price of Castle Communications, the music and video publisher, jumped 58p to 335p yesterday as it announced that it was in talks that might lead to an offer for the company.

The statement was in response to recent moves in its share price.

Castle, which was floated on the USM at 200p in March 1987, releases compilations of pop artists from the 1960s and 1970s and owns rights to some groups from the period, including the Kinks and the Searchers.

There was speculation yesterday that the rights, valued at 230p a share in its last balance sheet, might have attracted the attention of larger music copyright holders.

Castle made a pre-tax profit of £1.5m on turnover of £33.4m in the year to June 1993.

Castle, which is valued at £22.8m at yesterday's closing price, said a further announcement would be made as soon as practicable.

FT-SE Actuaries Share Indices

The following changes to the classification of companies recently granted a Stock Exchange listing or granted permission to deal in the Unlisted Securities Market will be effective on August 1:

Arcadian International from Building & Construction (Sub-sector 210) to Hotels & Caterers (424); Azlan from Electronic Equipment (253) to Distributors of Industrial Components & Equipment (412); CPL Aromas from Household Requisites (346) to Food Manufacturers (330); Central European Growth Fund from Investment Trusts (800) to Other S. 842 Investment Trusts (980); CentreGold from Publishing (436) to Leisure (422); DCC from Diversified Industrials (240) to Distributors, Other (414); Dominion Energy from Oil, Integrated (150) to Oil Exploration & Production (162); Domnick Hunter Group from Engineering, Diversified (265) to Engineering, Speciality (263); DRS Data & Research from Computer Services (487) to Electronic Equipment (253); Emerald Energy from Oil, Integrated (150) to Oil Exploration & Production (162); Finelist Group from Distributors of Industrial Components & Equipment (412) to Vehicle Distributors (413); Five Arrows Chile Investment Trust from Offshore Investment Companies & Funds (940) to Other S. 842 Investment Trusts (980); Hamlet Group from Clothing Manufacturers (291) to Distributors, Other (414); Inspirations from Leisure (422) to Transport (490); Israel Fund from Investment Trusts (800) to Other S. 842 Investment Trusts (980); John Lusty Group from Food Manufacturers (330) to Retailers & Wholesalers, Food (440); MAID from Computer Services (487) to Publishing (436); Millgate from Electronic Equipment (253) to Vehicle Distributors (413); Robert Wiseman Dairies from Food Manufacturers (330) to Retailers & Wholesalers, Food (440); Roxspur from Electronic Equipment (253) to Engineering, Diversified (265); Utility Cable from Electronic Equipment (253) to Building & Construction (210); VCI from Publishing (436) to Leisure (422); Wellington Holdings from Engineering, Diversified (265) to Chemicals, Materials Technology (236).

LEGAL NOTICES

Notice of Appointment of Joint Administrative Receivers

THAMES VALLEY FRESH FOODS LTD

Registered number: 2755322. Trading name: Thames Valley Fresh Foods. Nature of business: Supply of Fresh Foods. Trade classification: 50. Date of appointment of administrative receivers: 1 July 1994. Name of person appointing the administrative receivers: National Westminster Bank Plc. Joint Administrative Receivers: S P Holgate and J M Iredale. Office holder numbers: 007119 and 002104. Address: 9 Greyfriars Road, Reading, Berkshire RG1 1JG.

Notice to Shareholders and Warrantholders of

Deutschland Investment Corporation Inc

Registered Office:
PO Box 309, Grand Cayman, Cayman Islands, British West Indies

Interim Report and Accounts to 31st January 1994

Copies of the Interim Report and Accounts to 31st January 1994 are now available from the registered office of the company, from Robert Fleming & Co. Limited, 25 Copthall Avenue, London, EC2R 7DR and from Morgan Guaranty Trust Company of New York, Avenue des Arts 35, B-1040 Brussels, Belgium.

14th July 1994

Yates plans to double retail side after float

By Tim Burt

Yates Brothers Wine Lodges, the independent drinks group which claims to have first introduced wine to the north of England, yesterday announced plans to double the size of its retail operations following its forthcoming flotation.

Funds raised by the £10m placing, giving the company a £54m market capitalisation, will be used to reduce group borrowing and launch an expansion programme which envisages a portfolio of 100 outlets by the year 2000.

Institutions have been offered shares at 140p as part of the float, which involves 5.7m new ordinary shares and 1.3m existing shares.

Although the placing will dilute the Yates family's 75 per cent shareholding, some 40 relatives will be left with a 65 per cent stake when the company obtains a listing.

Mr Peter Dickson, managing director and great-grandson of Mr Peter Yates, the group's founder, said he was confident ofwinning widespread institutional support for the expansion.

"We believe there is potential to open a Yates in every town with a population of more than 75,000," Mr Dickson said.

The group – which first came to the market in 1986 under the matched bargain Rule 535 – has set its sights on new outlets in three target areas: Yorkshire and the north-east, the Midlands and the M1 corridor to London.

Initially, however, most of the funds raised by the placing will be used to wipe out £8.5m of secured loans and unsecured bank overdrafts.

Mr Dickson said the company would rely on progressive borrowing to fund new outlets, but added that gearing was unlikely to exceed 33 per cent.

Gearing in the year to March 27, when the group made pre-tax profits of £3.36m (£2.77m) on turnover of £43.9m (£35.3m), was 25 per cent.

Dealings are expected to begin on July 19. The placing was sponsored by Panmure Gordon.

BWD Securities shows 25% advance to £2.25m

By Ian Hamilton Fazey, Northern Correspondent

BWD Securities, the USM-quoted stockbroking and financial services group, reported pre-tax profits 25 per cent ahead to £2.25m for the six months to May 31, on turnover 18 per cent ahead at £8.73m against £7.43m.

Earnings per share rose to 7.7p (6.6p) and the interim dividend is lifted by 13 per cent to 1.7p (1.5p).

BWD began as a stockbroker and unit trust manager in Huddersfield but expanded by acquiring the Liverpool-based Rensburg. Capital for Companies, an independent Leeds BES and venture capital fund manager followed. The group then set up Northern Registrars, a subsidiary using Huddersfield's lower overheads to compete nationally for share registry business.

BWD Rensburg has now completed a £650,000 investment to upgrade electronic systems and equipment ready for the Stock Exchange's move to rolling settlement next week. The stockbroker's nominee service has grown by 600 clients to 4,000 which should also help smooth the transition, the company said.

BWD Rensburg has also acquired new buildings in Birmingham and Sheffield, where significant growth is now forecast.

Capital for Companies raised £30m for BES assured tenancy schemes, making a total of £78m, its last chance to do so before BES is replaced by the Enterprise Investment Scheme, which the company is looking at along with venture capital trusts.

Northern Registrars won 15 new clients to bring its total to 85.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Fleming American Inv. Trust, Kershaw (A), Rank Org., Throgmorton Trust.
Finals- Barbour Index, Druck, EFM Japan Trust, Fleming Geared Inc., Great Universal Stores, Hampson, Helton, Jones Stroud, Peel, Prism Leisure, Stanley Leisure, Stewart & Wight.

FUTURE DATES

Interims-	
Aberust High Inc. Trust	July 22
African Lakes	July 29
London Electricity	Nov. 30
Smaller Cos. Inv. Trust	July 22
Spargo Consulting	July 27
Finals-	
Abtrust Preferred Inc.	July 27
Ascot	July 22
Natwest Smaller Cos. Inv.	July 21
Tinsley (Eliza)	July 21
YRM	July 21

Suffering pain to recapture past strengths

John Gapper looks at the strategies adopted by the high street lenders in their efforts to attract funds

For the past five years TSB, the retail bank, has been deliberately making less and less money from its depositors. It has been telling them to transfer funds to high interest accounts, and in the first half of this year a further £300m drained out of its low interest accounts.

In the past, this loss of cheap deposits would have made most bankers tear their hair out, but Mr Peter Ellwood, TSB's chief executive, is proud of it. "Now we can tell people truthfully that we offer competitive products. Five years ago, we were saying one thing and doing another," he says.

Mr Ellwood is not alone. Over the past two years, National Westminster has paid higher interest to attract savers – so narrowing spreads between its loans and deposits. It has moved from having to borrow £2bn from wholesale markets to fund branch lending to having a £4bn retail funding surplus.

Mr Richard Goeltz, NatWest's chief financial officer, says the bank is accepting lower returns because it must lend the surplus on wholesale markets, where margins are narrower than on corporate loans. "We are taking some short-term pain to achieve a long-term objective."

Banks' renewed emphasis on deposit-gathering provokes scepticism from building societies, which have made a name as a better place for savings in the past two decades. But there is some evidence that it is more than a passing fad – that banks are serious about recapturing a past strength.

The gloomiest observers say that banks still pay a huge price for past errors. Mr John Aitken, an analyst at UBS, says banks would have £50bn more in retail deposits if they had maintained their 1975 market share. He estimates that this seepage costs them £2.5bn in profits each year.

Mr Aitken believes banks stopped growing then, and are now recognising their loss by cutting branches and staff. "Banks used to be regarded mainly as repositories for funds. They were safe, even if they did not give you much for it, and they did not lose large amounts by unwise lending," he says.

Banks are now attempting to retrieve this position, and reverse this trend: they have a number of motives for doing so:

- Taking deposits is less risky than lending, the side of the balance sheet on which many concentrated in the 1980s. Deposit-taking may not earn much, but it carries no risk of future loss. "Let us say our strategy is wrong. Well, we can rectify it in a couple of months by changing rates," says Mr Goeltz.
- It employs no capital, nor is much absorbed by the wholesale assets into which surplus retail deposits are put. "The returns do not look frightfully good, but you do not have to put much capital against it, so it can still be good business for shareholders," says Mr Patrick Perry, treasurer of Barclays Bank.

Midland Bank's Richard Orgill, flanked by Peter Ellwood of the TSB (left) and Richard Goeltz of NatWest: having to accept lower returns in a bid to increase market share

- Retail funds help banks' balance sheets in two ways. One is that they are a stable funding source. Wholesale funds, lent in large tranches by banks or by institutions which have surplus cash, fluctuate in price and supply can dry up quickly if financial markets are volatile, or a bank appears unsafe.

The second is that retail funds tend to be cheaper at the margin. Once a bank has set up a branch network, the marginal cost of gathering deposits is usually lower than borrowing from wholesale markets. The relative costs are more difficult to calculate if branch costs are added to the equation.

- Banks are placing more emphasis on selling financial products such as life assurance rather than lending money. They see savings and deposit accounts as a risk-free means of expanding their customer base. They hope that they will be able to persuade such customers to buy other things from them.

The last factor is the highest priority for most. Mr Goeltz says that it lay behind NatWest's deposit push from early 1992. "We recognised then that the bank had to develop alternative income streams. The key is to satisfy more customer needs from essentially the same infrastructure," he says.

However, gathering deposits does not bring simple cross-selling gains. Mr Ellwood says that TSB customers with home mortgages tend to buy an average of three other products from the bank. This is because mortgages give banks obvious chances to sell related products such as home insurance.

Mr Dennis Holt, general manager of personal banking for Lloyds Bank, admits that savings accounts have "less built-in loyalty". He says banks can improve their chances by persuading savers to buy long-term products such as the three-year stepped income deposit account launched by Lloyds this month.

Mr Ellwood says banks now have greater chances to cross-sell to savers because of technology. TSB this year achieved a 20 per cent response to a mailshot offering personal loans – 10 times the normal response – because it had already credit-scored the customers to whom it sent the offer.

But whatever the attractions of gathering deposits, banks now face a problem in finding a proper use for them. "Most of us now have a surplus of retail deposits because of poor loan demand. It is difficult to find suitable outlets," says Mr Richard Orgill, Midland's deputy chief executive.

The problem is compounded by the fact that societies are now having to bid strongly for retail funds to compete with National Savings, and are offering attractive rates. Bankers say that some societies are giving savers rates which are too high to make a profit if the funds are lent wholesale.

This competition for funds is one reason cited by banks for wanting to buy building societies. Some see it as an opportunity to buy back the retail deposit strength they have lost over the past 20 years. Without this elegant solution, banks face a tough struggle to rebuild market share.

Mr Goeltz says that banks must be consistent to re-establish a good reputation. "There is a cost to convincing customers that we are a valuable ally in the savings market," he says. That cost could start to look very high if banks cannot quickly achieve the other sales for which they hope.

NEWS DIGEST

Colorvision declines to £203,000

Shares in Colorvision fell 7p to 31p yesterday, as the Liverpool-based television and video retailer reported pre-tax profits down from £1.78m to £203,000 for the year to end-March.

The downturn, which was foreshadowed in April's trading statement, was struck on turnover marginally up from £66.8m to £67.1m – of which £951,000 was contributed by discontinued operations.

The directors said that, in line with current retailing practice, the reported turnover figure now contained commissions received, and interest-free credit subsidies were included within the cost of sales.

Action had been taken to improve the profitability of the group, the directors added, and nine outlets had been earmarked for closure, of which six had been closed prior to the period end. Staffing levels had been reviewed and appropriate cuts had been made, the costs of which had been provided for in the results.

Earnings per share were 0.2p (5.6p) and, as previously stated, the board is not recommending a dividend.

Increased losses for Waterglade

Increased pre-tax losses of £2.37m against £954,000 were announced by Waterglade International Holdings, the property investment and development group, for the half year to November 30 1993.

The result last time, however, included significant profits from property disposals, the company said.

Turnover fell to £172,000 (£1.03m) but administrative expenses were cut from £1.04m to £961,000 including £130,000 relating to the costs of the capital reconstruction in June 1993.

Losses per share were 0.24p (0.08p).

Aberforth Split net assets improve

The net asset value per unit share of the Aberforth Split Level Trust stood at 271.2p at the 12 months ended June 30, up from 250.3p at the same date last year.

Available revenue rose from £1.27m to £1.91m. Earnings per income share rose from 8.43p to 8.47p and a fourth interim dividend of 2.45p gives a total for the year of 8.45p (8.4p).

Wembley considers investor proposals

Wembley, the debt-burdened stadium and greyhound track operator, yesterday confirmed that it was considering a number of proposals from various investor groups.

The proposals all envisage an injection of new equity and all potential investors have stated that they would wish the existing management to remain in place.

Trifast ahead of forecast with £2.63m

Trifast beat its prospectus forecast with pre-tax profits of £2.63m for the year to March 31, a 33 per cent rise on the previous £1.98m.

The industrial fastener group said that during the year the business had continued to grow much faster than the economy or its own sector.

Sales rose 25 per cent to £29.1m (£23.2m) and Trifast said that allowing for the acquisition of Fastener Techniques in October, the underlying rise was 21 per cent.

A net dividend of 0.86p is proposed for the year. Earnings per share came to 12.23p (9.11p).

The share price closed up 7p at 208p.

Irish Life sales rise 15% to I£185.6m

Total sales for the first six months of 1994 at Irish Life, the insurance group, rose 15 per cent to I£185.6m (£183.4m), while in Ireland recurring premium sales totalled I£28.8m, up 11 per cent on 1993.

Single premium sales increased by 6 per cent over the year to I£64.5m. Sales in the UK fell by 37 per cent to I£13.2m.

Malvern UK Index matches benchmark

Malvern UK Index Trust reported net asset value per share down 12.6 per cent at 132.36p at June 30, against 151.42p six months earlier.

As the FT-SE-A All-Share index fell 13 per cent over the period the trust said it had achieved its objective of tracking the index.

Net revenue for the six months to the end of June was £1m (£974,000) for earnings per share of 2.07p (2.01p). The interim dividend is maintained at 1.7p.

At the annual meeting in April the vote, as required under its articles, was overwhelmingly in favour of continuing the fund for another year. Of the votes cast 95 per cent were in favour.

Secure Retirement £0.3m in the black

Secure Retirement, the developer of sheltered housing which gained a listing in April, returned to profit in the year to March 31 with £341,000 pre-tax compared with losses of £2.1m.

Turnover rose from £1.67m to £2.7m reflecting an increase from 20 to 34 in units sold.

Earnings per share were 3.09p (20.92p losses).

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 14.07.94 Pool purchase price £/MWh	Final Prices for Trading on 13.07.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.58	12.14	15.19
0100	12.70	10.50	10.50
0130	12.48	10.50	10.50
0200	11.80	10.50	10.50
0230	12.46	10.50	10.50
0300	12.48	10.50	10.50
0330	12.46	10.50	10.50
0400	12.46	10.50	10.50
0430	12.46	10.50	10.50
0500	12.46	10.50	10.50
0530	12.38	9.82	9.82
0600	12.38	10.50	10.50
0630	12.38	10.50	10.50
0700	17.42	18.89	20.05
0730	23.37	24.73	27.79
0800	24.65	24.78	27.85
0830	25.87	24.92	28.05
0900	36.18	25.29	28.53
0930	38.20	35.51	38.86
1000	39.43	35.70	39.09
1030	40.38	35.67	39.05
1100	41.57	28.02	31.41
1130	43.51	28.19	31.63
1200	54.38	32.09	35.57
1230	53.89	31.90	35.32
1300	51.67	31.50	34.81
1330	39.15	25.47	28.65
1400	37.52	24.94	28.08
1430	36.62	24.86	27.96
1500	34.49	24.84	27.93
1530	34.10	24.82	27.91
1600	28.63	24.85	27.97
1630	36.37	24.96	28.09
1700	36.54	31.36	34.51
1730	35.06	31.30	34.42
1800	33.38	31.18	34.27
1830	24.21	29.50	32.56
1900	24.08	24.73	27.79
1930	22.92	24.73	27.79
2000	22.92	24.73	27.78
2030	22.77	22.33	25.38
2100	22.83	34.60	37.65
2130	22.88	34.60	37.65
2200	29.20	34.60	37.65
2230	32.38	34.60	37.65
2300	29.20	20.66	23.71
2330	22.50	20.68	23.71
2400	22.83	17.31	20.36

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456788 between 8:30am and 5:15pm Monday to Friday.
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New York buyers lead coffee prices to fresh peaks

By Deborah Hargreaves

New York traders took the lead in the coffee market yesterday, pushing the London Commodity Exchange September delivery position to a new 8½-year peak of $4,085 a tonne. But the more subdued London tone dominated towards the market close and in last minute trading the price dipped just below the $4,000 a tonne mark.

By the end of trading the September contract was quoted at $3,990 a tonne – a rise of $92 – while all other positions up to next May remained above $4,000. New York prices were continuing firm in midday trading with the September arabica futures contract showing a rise of 18 cents to $2.65 a pound.

Reports of large cash purchases by coffee roasting companies eager for stocks of beans drove the market yesterday. "This market has reached the point of panic for most roasters and they have to be extremely aggressive about buying," said Mr Bill O'Neill, soft commodities analyst at Merrill Lynch in New York.

At the same time, traders were concerned about the timing of Brazil's coffee sales, which it has signalled to alleviate supply tightness. Brasilia suspended exports while it assesses the damage to next year's crop of frosts earlier this week and traders are uncertain when the release of stocks will be resumed.

Mr O'Neill said the market might try to test the next resistance level at $2.76 a pound, which was last breached in 1986. "After that it's into uncharted water with the 1976 high of $3.75 a pound to go for," he said.

CBoT hopes for big yield from crop insurance futures

Laurie Morse on a scheme that could cut the cost of government disaster compensation to US farmers

The US government and the Chicago Board of Trade are collaborating on a novel market-based effort to reduce the cost of government support to farmers after crop disasters like floods and droughts.

The co-operation is a by-product of a major overhaul in the US federal crop insurance programme this year, but the resulting options contracts could find favour with a variety of agribusinesses that need to manage risks associated with volatile grain production levels in the US.

The CBoT's futures and options pits already set the benchmarks for world prices for wheat, maize and soyabeans. Those contracts offer producers, grain dealers, and food processors a kind of price insurance mechanism.

The new options, which are still in the design stage and have not been announced publicly, will provide a means for hedging the size, rather than the price, of a crop in specific areas. The contracts would pertain to US crops, but analysts say the concept could be applied anywhere in the world.

The "area yield options contracts", as they are called, would work much like similar price-based contracts. However, instead of selecting a strike price, traders would select a strike yield for a particular crop in a particular area. A holder of a call option for maize grown in the Midwest, for example, might select a strike of 100 bushels an acre. If the actual yield, as assessed by the US Department of Agriculture after harvest, was greater than the strike, the call holder would receive a cash payment. Conversely, a put holder would receive payment if the crop was smaller than the chosen strike. The contracts would mature at harvest, and be settled in cash.

In essence, the options would be a production insurance mechanism, says Ms Ann Berg, a CBoT Director and a champion of the yield options concept. She expects a wide variety of grain handlers, barge and rail companies, food processors, and bankers to use the product. "There has been a long period of consolidation and integration in agribusiness which has created big companies with huge capital investments in storage terminals, export houses, and other facilities whose profitability depends largely on the volume handled, and hence the crop size," she says. "This could help them manage that aspect of risk in their business."

Ms Berg expects the options contracts to be ready to trade sometime next year.

The USDA views the options as one way to attract more capital into the re-insurance network that backs the government's vast crop insurance programme for farmers.

That programme has been widely criticised for its lack of actuarial soundness, low levels of farmer participation, and its high cost. For each of the last seven years congress has voted additional disaster relief to farmers, trying to fill the gaps left by the insurance system. Last year the US paid out more than $4bn in disaster relief and crop insurance payments to farmers following record floods in the Midwest. The money paid to compensate farmers for crop losses represented one quarter of all federal subsidies paid for wheat, rice, feedgrains and cotton programmes, including export subsidies.

In an effort to manage the budget drain congress this month is expected to approve a controversial overhaul of the crop insurance programme.

Under the new system, farmers will be required to sign up for crop insurance so as to qualify for government price supports. This, USDA experts say, will triple the size of the insurance programme and strain the nation's crop reinsurance resources. Crop insurers liabilities could rise to $40bn, from their current coverage of $13bn, according to USDA data.

Mr Joseph Glauber, principal economist in the USDA's Office of Economics, says the insurance programme is expanding just as reinsurance capacity is dwindling. "We're worried there won't be enough capital," he says. "The options markets would allow some wholesale management of production risks and could bring in other players."

While innovative, the yield options concept is unproven, and may not attract any more customers than the CBoT's nearly-moribund catastrophe insurance futures contracts. However, Mr Richard Sandor, the derivatives wizard who helped invent financial futures in Chicago, is enthusiastic about the idea. "This will appeal to many types of traders," he says. "These will be the first contracts to bridge the agricultural, insurance and capital markets," at the CBoT.

Shephard 'anxious' about disease in single market

By Deborah Hargreaves

Importers of live animals to the UK must be aware of their responsibilities in keeping out infectious diseases as the free movement of farm animals across borders increases in the European Union's single market, Mrs Gillian Shephard, agriculture minister, stressed yesterday.

The government will be holding a seminar in November to offer advice to importers on animal health problems. Mrs Shephard told the House of Commons Agriculture select committee of MPs that it was up to individual operators to "blow the whistle," on those that were acting irresponsibly.

Mrs Shephard said she was not entirely happy with the way the single market worked in all member countries and that there were "waves of anxiety", in the Ministry of Agriculture over the outbreak of disease.

But the increase in UK veterinary checks on imported animals since November had revealed few major problems. All cattle from France had been checked following an outbreak of warble fly infestation, and 12 consignments this year had been returned to France.

In addition, the government had launched a series of 24-hour periods of blanket surveillance of imports and exports that have so far covered 500 consignments. Some form of irregularity had been found in one in seven of the shipments, but these mostly involved faulty paperwork, she said. Only about 1 per cent of cases concerned more serious health certification irregularities. In 2 to 3 per cent of shipments there were welfare problems.

Generators forecast to need 15.5 per cent more uranium by 2000

By Kenneth Gooding, Mining Correspondent

New uranium mines will be needed at the turn of the century to cope with a forecast 15.5 per cent world-wide increase in requirements by nuclear power stations, according to the Uranium Institute, an international association of producers and consumers.

Most of the new capacity will be in Canada, the US and Australia, it points out in what the institute claims is "the most comprehensive global analysis of the uranium market published so far".

The report notes that the World Energy Council predicts global energy demand will be 50 per cent higher in 2010 than in 1990 and then looks at projected nuclear generating capacity on a country-by-country basis. It concludes that requirements will rise from 56,076 tonnes in 1993 to 64,786 tonnes in 2010.

Some of the extra uranium will be supplied from existing mines which have been operating at well below capacity for some years. There is also the very real prospect that uranium derived from former military material will begin to be released into the market at some point in the next decade – "a real manifestation of the peace dividend", was the way Mr Ian Duncan, the institute's chairman, described it. Depending on the restrictions placed by governments on this material, it could add between 5 per cent and 15 per cent to world supplies from all sources within 10 years.

The report points out that uranium production in the western world has fallen sharply in recent years and in 1992 covered only half of western demand. The gap was filled by uranium from stocks, from reprocessing products and from imports from the Commonwealth of Independent States, Eastern Europe and China.

As existing western stocks begin to run out towards the end of the 1990s, and if the market share of the CIS and East European countries continues to be limited by economic factors and by trade restrictions imposed by the US and the European Union, production of uranium from western mines will need to increase, the report suggests.

However, Mr Duncan said the fundamental issue raised by the report was "how is the world to meet the burgeoning demand for electricity and what part is nuclear power to play in this?"

The report says that in 1991-92 nuclear power supplied about 7 per cent of the world's primary energy and 17 per cent of its electricity. Since 1971 nuclear power has been the only primary fuel to increase its share of total electricity production. "Nevertheless, nuclear power's future role and growth faces considerable uncertainty in spite of its competitiveness and demonstrated environmental benefits."

The Global Uranium Market: Supply and Demand 1992-2010. £200 from the Uranium Institute, Bowater House, 68 Knightsbridge, London SW1X 7LT, UK.

Car industry boost forecast for base metals

Rising car output, growth in the number of cars in use and higher consumption of non-ferrous metals in each car should see the industry's demand for base metals grow further in the 1990s, according to Brook Hunt and Associates, reports Reuters.

But the latest report on the car industry by the metals industry analyst says that after the turn of the century use of copper and zinc will fall markedly, although aluminium, lead and nickel consumption will continue to rise.

Brook Hunt estimates that between now and 2005 consumption by the passenger car industry of aluminium will rise by 83 per cent to 3.95m tonnes, of lead by 11 per cent to 1.24m tonnes and of nickel by 10 per cent to 57,000 tonnes.

But usage of copper is forecast to fall by nearly 12 per cent to 480,000 tonnes and of zinc by 7.3 per cent to 457,000 tonnes by 2005.

The passenger car manufacturing industry's share of western world demand for the major base metals in 1993 was 12 per cent for aluminium, 8 per cent for copper, 32 per cent for lead, 10 per cent for nickel and 13 per cent for zinc, Brook Hunt says.

Aluminium's unique combination of physical and mechanical properties make it the material of choice in a wide variety of applications and will ensure it has the greatest potential for future demand growth in the car industry, the report says.

MARKET REPORT

Copper prices settle back

The London Metal Exchange **COPPER** made another attempt to clear $2,450 a tonne for three months delivery yesterday but again met general liquidation and Chinese selling and settled back to end marginally lower on the day.

ALUMINIUM prices did not make any more headway either. Business was done within a comparatively narrow band, well below the overhead objective for the three months position of $1,550 a tonne.

There were some signs of forward tightness developing in **LEAD** next year, but this failed to generate enough on the upside to lift the market above the $600-a-tonne barrier.

Compiled from Reuter

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1514-5	1532-3
Previous	1520.5-1.5	1536-7
High/low		1540/1523
AM Official	1518-9	1536.5-7
Kerb close		1533-4
Open int.	292,981	
Total daily turnover	84,770	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1505-15	1525-35
Previous	1510-5	1525-30
High/low		1540/1530
AM Official	1515-25	1535-40
Kerb close		1525-35
Open int.	2,870	
Total daily turnover	456	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	582-4	594-6
Previous	581.5-2.5	596-7
High/low		601/596
AM Official	585.5-6	597-8
Kerb close		594-5
Open int.	41,391	
Total daily turnover	9,635	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6260-70	6350-5
Previous	6275-85	6365-70
High/low		6380/6310
AM Official	6252-7	6350-5
Kerb close		6355-60
Open int.	57,989	
Total daily turnover	11,597	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5310-20	5390-400
Previous	5345-55	5415-25
High/low	5335	5430/5405
AM Official	5330-5	5405-10
Kerb close		5390-400
Open int.	19,164	
Total daily turnover	3,379	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	968-9	982-3
Previous	963.5-4.5	988-9
High/low		999/980
AM Official	972.5-3.5	996-6.5
Kerb close		993-4
Open int.	103,039	
Total daily turnover	17,101	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2429-30	2447-8
Previous	2431-2	2449-50
High/low		2458/2437
AM Official	2430-1	2448-9
Kerb close		2444-5
Open int.	237,837	
Total daily turnover	51,093	

■ LME AM Official £/$ rate: 1.5679
LME Closing £/$ rate: 1.5675

Spot:1.5670 3 mths:1.5660 6 mths:1.5658 9 mths:1.5647

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Jul	110.20	+0.20	110.40	109.80	2,421	302
Aug	110.50	+0.30	110.80	110.30	694	-
Sep	110.90	+0.30	111.20	110.35	31,317	5,159
Oct	110.55	+0.30	-	-	324	2
Nov	110.20	+0.35	-	-	245	-
Dec	109.80	+0.35	109.90	109.20	8,306	559
Total					50,378	6,042

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	384.00-384.40	
Opening	385.00-385.40	
Morning fix	384.85	245.518
Afternoon fix	384.65	245.078
Day's High	385.40-385.80	
Day's Low	383.65-384.05	
Previous close	386.00-386.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.11 6 months 4.64
2 months ....4.20 12 months 5.05
3 months 4.30

Silver Fix	p/troy oz.	US cts equiv.
Spot	332.55	521.50
3 months	336.65	527.85
6 months	341.05	534.55
1 year	351.40	550.20
Gold Coins	**$ price**	**£ equiv.**
Krugerrand	391-393	248-251
Maple Leaf	394.70-397.20	-
New Sovereign	91-94	59-62

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jul	383.3	-2.1	-	-	184	184
Aug	384.0	-2.3	386.3	383.8	64,636	23,609
Sep	385.5	-2.3	-	-	-	-
Oct	387.1	-2.2	389.0	388.9	6,492	251
Dec	390.3	-2.2	392.4	390.0	29,607	744
Feb	393.8	-2.2	397.0	394.0	7,875	686
Total					145,019	28,594

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jul	408.8	-0.9	412.0	408.5	276	5
Oct	410.8	-0.9	413.9	408.5	18,187	4,644
Jan	414.0	-0.5	414.5	414.5	2,460	111
Apr	417.3	-0.4	419.0	418.0	1,723	-
Total					22,646	4,760

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Sep	146.75	-0.80	147.50	146.25	4,701	430
Dec	146.50	-0.80	147.25	146.50	768	25
Mar	146.25	-1.05	-	-	126	2
Total					5,595	457

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jul	512.2	-12.0	524.5	514.0	410	117
Aug	514.7	-11.7	525.0	525.0	-	-
Sep	516.5	-11.7	530.0	515.0	80,196	11,344
Dec	523.8	-11.8	538.0	523.0	23,371	574
Jan	525.5	-11.8	-	-	33	-
Mar	532.1	-11.8	545.0	531.0	6,502	36
Total					122,758	12,089

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls, $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Aug	20.51	+0.08	20.55	20.30	76,134	64,060
Sep	19.85	+0.12	19.90	19.66	79,346	43,944
Oct	19.38	+0.12	19.40	19.19	40,713	18,940
Nov	19.06	+0.09	19.13	18.94	28,782	9,370
Dec	18.88	+0.04	18.90	18.80	39,240	15,260
Jan	18.76	-0.02	18.78	18.73	23,237	8,578
Total					426,584	169,680

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Aug	18.53	+0.27	18.55	18.27	54,376	30,272
Sep	18.05	+0.27	18.06	17.80	58,211	27,613
Oct	17.80	+0.20	17.81	17.59	17,384	7,410
Nov	17.58	+0.01	17.63	17.50	8,987	1,619
Dec	17.48	-	17.80	17.48	12,022	1,216
Jan	-	-	-	-	4,475	87
Total					168,464	68,014

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Open int	Vol
Aug	51.05	+0.61	51.10	49.85	28,497	22,580
Sep	51.80	+0.37	51.80	50.85	21,627	8,802
Oct	52.70	+0.32	52.70	51.95	10,400	1,449
Nov	53.55	+0.22	53.60	53.00	8,891	1,302
Dec	54.75	+0.22	54.80	53.90	19,295	3,047
Jan	55.20	+0.37	55.20	55.00	11,813	1,938
Total					123,059	40,028

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	158.00	-0.75	159.00	158.75	1,345	7,910
Sep	160.75	-0.75	161.50	159.50	30,438	3,040
Oct	163.75	-0.50	164.25	162.50	11,762	583
Nov	165.75	-	166.00	164.75	9,951	450
Dec	167.25	-0.75	167.50	166.00	8,255	427
Jan	168.50	-0.75	168.50	166.75	14,887	234
Total					88,245	12,641

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Aug	2.015	+0.010	2.025	1.990	15,581	7,757
Sep	2.055	+0.003	2.060	2.035	13,128	4,482
Oct	2.090	+0.003	2.095	2.080	9,881	1,203
Nov	2.180	+0.005	2.180	2.165	10,032	570
Dec	2.280	+0.005	2.280	2.270	14,491	864
Jan	2.280	+0.008	2.280	2.270	9,738	505
Total					106,190	18,871

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Aug	56.05	+0.74	55.20	54.05	43,661	24,486
Sep	55.20	+0.79	55.30	54.20	21,009	10,237
Oct	53.76	+0.38	53.60	53.00	7,025	1,604
Nov	52.45	+0.49	52.45	51.85	6,724	816
Dec	57.10	+0.09	57.20	56.70	3,988	662
Jan	56.42	+0.06	56.42	56.42	1,608	507
Total					85,204	36,292

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	103.15	-0.35	103.10	102.90	414	37
Nov	103.90	-0.50	103.90	103.40	2,323	213
Jan	105.90	-0.50	105.90	105.60	1,440	25
Mar	107.70	-0.50	107.70	107.50	619	44
May	109.20	-0.40	109.00	108.90	599	30
Jul	111.55	-	-	-	125	-
Total					5,520	349

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	315/0	+0/6	316/0	313/6	3,885	3,740
Sep	321/6	+0/4	324/0	321/4	102,735	38,455
Dec	334/2	-0/2	336/6	333/6	152,680	52,635
Mar	339/0	-0/2	341/4	338/6	29,820	3,385
May	334/0	+1/0	335/4	334/0	1,115	110
Jul	321/0	+1/0	323/0	321/0	2,980	375
Total					292,888	98,700

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	235/6	+3/2	238/0	233/6	37,640	23,085
Sep	227/2	+2/0	227/4	226/0	281,795	73,680
Dec	226/2	+1/0	226/6	225/4	591,635	133,860
Mar	235/0	+1/0	235/4	234/4	90,185	13,820
May	241/6	+0/6	242/2	241/2	27,895	6,605
Jul	245/4	+1/0	246/0	245/0	28,305	6,855
Total					1.084M	264,715

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	99.50	-0.50	100.00	100.00	200	1
Nov	101.75	+0.05	101.50	101.50	399	21
Jan	102.65	+0.65	-	-	28	-
Mar	104.00	-	-	-	38	-
May	105.75	-	-	-	1	-
Total					666	22

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	623/6	-0/2	627/4	622/6	20,100	16,220
Aug	617/2	+2/4	618/4	614/4	129,665	58,880
Sep	597/2	+4/2	599/0	595/0	62,955	14,740
Nov	583/0	+4/0	583/4	580/2	349,085	145,805
Jan	590/4	+4/4	591/0	587/4	41,860	5,165
Mar	598/2	+4/6	598/4	595/4	14,230	3,135
Total					658,358	282,220

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	24.69	+0.29	24.75	24.50	2,183	1,223
Aug	24.69	+0.27	24.75	24.51	20,867	7,875
Sep	24.58	+0.20	24.65	24.42	17,759	4,994
Oct	24.00	+0.20	24.10	23.80	10,925	2,309
Dec	23.59	+0.13	23.77	23.39	32,431	6,563
Jan	23.63	+0.13	23.77	23.45	3,421	554
Total					93,981	24,590

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	185.2	+0.6	185.6	184.6	4,152	1,274
Aug	184.7	+0.6	185.0	184.1	22,521	7,480
Sep	182.9	+0.4	183.4	182.6	16,227	1,378
Oct	180.6	+1.2	181.0	179.6	9,007	1,479
Dec	180.6	+1.3	181.0	179.6	24,600	4,534
Jan	181.5	+1.6	181.5	180.3	2,360	318
Total					84,779	17,301

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	90.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	205.0	-11.9	214.0	203.2	1,062	180
May	225.0	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					1,852	180

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1378	-13	1390	1376	811	37
Aug	1340	-9	1348	1335	686	8
Oct	1395	-10	-	-	437	-
Jan	1405	-10	1390	1390	254	1
Apr	1405	-20	-	-	[illegible]	-
Jul	[illegible]	-	-	-	[illegible]	-
Total					2,228	105

	Close	Prev
BFI	1402	1398

Cotton

Spot and shipment sales in Liverpool amounted to 75 tonnes for the week ended July 8 against 218 tonnes in the previous week. Subdued offtake did not bring many operations. Support was forthcoming in certain specialist styles, notably in the American range.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1047	+10	1043	1022	1,309	144
Sep	1052	+8	1053	1028	17,784	2,347
Dec	1063	+12	1063	1038	28,298	1,599
Mar	1080	+9	1080	1053	28,023	831
May	1085	+11	1085	1063	9,924	27
Jul	1089	+7	1080	1086	3,929	21
Total					103,226	5,100

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1421	+15	1427	1415	162	8
Sep	1434	+11	1442	1410	35,085	6,146
Dec	1475	+14	1482	1453	14,528	1,401
Mar	1506	+14	1508	1484	7,703	64
May	1526	+14	-	-	2,991	6
Jul	1548	+14	-	-	2,312	-
Total					69,294	7,636

■ COCOA (ICCO) (SDR's/tonne)

July 12	Price	Prev. day
Daily	1061.06	1054.32
10 day average	N/A	N/A

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	3975	+85	4020	3910	1,026	161
Sep	3993	+95	4085	3905	20,261	5,297
Nov	3993	+90	4085	3910	7,524	2,553
Jan	4013	+98	4085	3903	9,787	1,672
Mar	4003	+110	4060	3930	3,564	696
May	4015	+159	4060	3936	719	309
Total					43,246	10,685

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	246.25	-0.25	263.50	245.25	138	63
Sep	241.00	-4.40	274.00	241.00	23,475	10,786
Dec	217.25	+9.00	-	-	12,179	1,764
Mar	217.00	+9.00	-	-	6,982	730
May	217.40	+9.00	-	-	1,536	680
Jul	218.40	+9.00	-	-	329	44
Total					44,834	14,047

■ COFFEE (ICO) (US cents/pound)

July 12	Price	Prev. day
Comp. daily	212.44	205.17
15 day average	190.10	154.18

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	11.78	-	11.81	11.77	1,118	375
Jan	11.82	-	-	-	-	-
Mar	11.49	-0.04	11.52	11.52	75	25
Total					1,193	400

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	333.70	-3.80	338.90	331.00	5,258	1,681
Oct	311.40	-	312.50	310.80	10,588	776
Dec	308.60	-0.10	308.50	308.60	902	12
Mar	305.60	-0.20	307.00	306.00	3,744	47
May	305.10	-0.20	306.10	305.70	382	4
Aug	304.50	-0.30	305.60	305.00	344	27
Total					21,347	2,571

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	11.54	+0.02	11.61	11.47	70,087	9,645
Mar	11.32	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	11.24	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	11.15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	11.11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	11.05	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jul 13	Jul 12	month ago	year ago
2133.2	2116.7	2027.1	1708.3

■ CRB Futures (Base: 4/9/56=100)

Jul 12	Jul 11	month ago	year ago
228.31	230.04	235.90	218.18

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	68.850	+0.500	69.150	67.875	28,430	13,370
Oct	71.750	+0.425	71.800	70.875	20,711	7,466
Dec	71.425	+0.250	71.550	70.750	11,592	4,603
Feb	70.850	+0.150	70.900	70.200	9,418	1,063
Apr	72.025	+0.150	72.250	71.500	5,018	431
Jun	68.850	+0.125	69.150	68.700	1,145	72
Total					76,360	27,910

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	46.600	+0.275	46.700	45.900	1,340	390
Aug	44.550	+0.300	44.600	43.550	10,258	3,093
Oct	41.350	-	41.450	40.625	7,998	1,877
Dec	40.450	+0.150	40.500	39.950	4,363	596
Feb	39.825	+0.250	40.000	39.550	1,116	132
Apr	38.650	-0.050	39.200	38.850	887	119
Total					26,436	6,254

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	36.100	-2.000	37.500	36.100	686	91
Aug	33.525	-2.000	35.450	33.525	4,322	1,233
Feb	42.525	-1.475	43.675	42.125	2,207	281
Mar	41.800	-1.300	43.200	41.800	67	3
May	42.875	-0.775	43.250	42.875	49	6
Jul	44.150	-0.350	-	44.150	28	1
Total					7,361	1,669

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1525	64	89	54	81
1550	52	78	67	95
1575	42	66	81	109
■ COPPER (Grade A) LME	**Sep**	**Dec**	**Sep**	**Dec**
2400	98	120	47	98
2450	71	97	69	123
2500	50	76	100	152
■ COFFEE LCE	**Sep**	**Nov**	**Sep**	**Nov**
3600	660	777	257	384
3650	621	750	278	407
3700	593	725	300	432
■ COCOA LCE	**Sep**	**Dec**	**Sep**	**Dec**
1000	73	121	21	68
1050	44	95	42	82
1100	25	73	73	110
■ BRENT CRUDE IPE	**Aug**	**Sep**	**Aug**	**Sep**
1700	-	-	-	28
1750	45	67	-	41
1800	-	62	-	63

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Aug)

		+or-
Dubai	$16.93-7.07q	+0.18
Brent Blend (dated)	$18.36-8.38	+0.19
Brent Blend (Aug)	$18.54-8.59	+0.235
W.T.I. (1pm est)	$20-42-0.44	-0.02

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$184-186	
Gas Oil	$155-156	-1.0
Heavy Fuel Oil	$97-99	+1.5
Naphtha	$167-169	+0.5
Jet fuel	$169-171	-1.0

Petroleum Argus Estimates

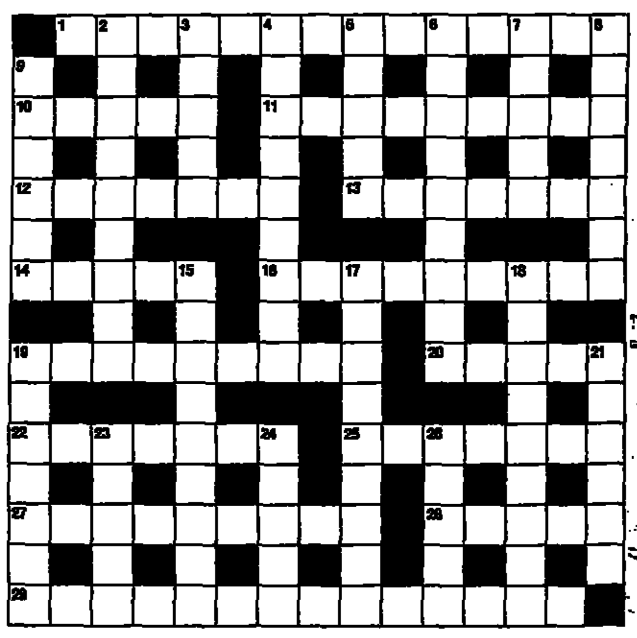
■ OTHER

Gold (per troy oz)	$384.20	-2.00
Silver (per troy oz)	522.50c	-5.00
Platinum (per troy oz.)	$409.25	+4.75
Palladium (per troy oz.)	$145.75	+1.15
Copper (US prod.)	114.0c	
Lead (US prod.)	34.80c	-2.70
Tin (Kuala Lumpur)	13.65m	-0.11
Tin (New York)	248.50c	
Zinc (US Prime W.)	Unq.	
Cattle (live weight)	118.17p	+0.86*
Sheep (live weight)	96.25p	-2.30*
Pigs (live weight)	75.48p	-0.48*
Lon. day sugar (raw)	$293.30	+0.50
Lon. day sugar (wte)	$338.00	
Tate & Lyle export	£299.00	+1.00
Barley (Eng. feed)	£100.0	-1.0
Maize (US No3 Yellow)	£143.5	
Wheat (US Dark North)	£160.0	
Rubber (Aug)	81.50p	+1.00
Rubber (Sep)	81.00p	+1.00
Rubber (KL RSS No1 Aug)	314.5m	
Coconut Oil (Phil)	$690.0z	+12.5
Palm Oil (Malay.)	$487.5q	+10.0
Copra (Phil)	$400.0	
Soyabeans (US)	£177.0q	
Cotton Outlook 'A' index	80.40c	-0.50
Wooltops (64s Super)	422p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. [illegible]

CROSSWORD

No.8,505 Set by HIGHLANDER



ACROSS

1 Historic novelist Chris slackened off (7,7)
10 Let in and on (5)
11 GP eats it, cooked hard in the middle with pasta (9)
12 With one's thumbs do nothing but idly fiddle (7)
13 Progressive artist covered in obloquy (7)
14 Put gag and so forth in right hand (5)
16 Former partner led City astray with pleasurable anticipation (9)
19 Redrafts standards for Merchant Navy omitting one new abbreviation (9)
20 Distributed timber on time (5)
22 Not much over sea level – sounds like cattle country (7)
25 Lack of belief in two articles is origin of Mormonism (7)
27 Direct one Frenchman to referee (9)
28 Roman poet has no right to watch (5)
29 Bird seen on the line the moment after old ruler appears (5,3,6)

DOWN

2 Clumsy amateur took food outside first (3-6)
3 Deserved to be criticised severely (5)
4 English flower and dairy produce offered during church festival (6,8)
5 Pull to the left in a manner of speaking (5)
6 Stayed in the same house taking care of practice with Edward (9)
7 Arrive at erroneous conclusion involving consumer (5)
8, 21 Poppy's type goes to church to see Hollywood star (7,6)
9, 19 down Old sailor's wife starting to convert a girl he spoilt (6,7)
15 Farming partner on the line (9)
17 Useful if one wishes to click (Tessa can't, unfortunately) (9)
18 Arriving at a platform which is getting shorter (7,2)
19 See 9
21 See 8
23 She comes from west part of Arabia (5)
24 Hated new curtains (5)
26 Almost have first to open caught in total confusion (5)

Solution 8,504

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PARENTAL ABROAD
I O C P D U U O
LEAST OVERTHROW
L S W S G N I N
OUTFITTER EVENT
W M T I E V U
 LETHAL ERECTOR
A A S R R N
BATHTUB PATTEN
H A A L H M A
ORGAN LEASEHOLD
R R O L T L L I
REANIMATE ELITE
E F N D A S T U
DOTAGE PURSUERS
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JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Footsie recaptures 3,000 mark in good volume

By Terry Byland, UK Stock Market Editor

The latest official statistics on domestic inflation and employment found a very positive response in the UK stock market yesterday. The FT-SE Index rose by more than 40 points to close convincingly above the 3,000 mark which has proved a barrier since the middle of last month. Reports that continental European funds had been buyers of shares in London were borne out by an increase of around one fifth in trading volume.

After breaking though the Footsie 3,000 mark in early trading, the market remained firm behind a positive British government bonds sector. The final reading showed the FT-SE Index at 3,005.5 for a net gain on the day of 41.4.

The lead came from a powerful recovery in the stock index futures sector, depressed on the previous day by a heavy sell-off by a US fund. After struggling for several sessions, the September contract on the Footsie moved up to a significant premium against the cash market yesterday morning and held solidly above 3,000 until the close.

A steadier trend in the US dollar set the stage for market recoveries across Europe. London sloughed off a bout of nervousness in mid-afternoon when rumours circulated in Europe that the Federal Reserve might, after all, be about to raise rates in the US.

But the very slight increase in US June consumer prices was in line with expectations, and the bout of nerves appeared to reflect nothing more than the Fed's failure to supply liquidity at its traditional time for intervention. Today brings the latest US retail sales data which will provide the latest focus for caution in European securities markets.

Share prices opened higher, in line with firmness in the US dollar and other European bond and stock markets. But the chief boost to UK equities came from the release of the day's batch of domestic economic data at mid-morning. Steady headline inflation of 2.6 per cent for June, with the underlying rate 0.1 per cent easier, steady underlying wage inflation of 3.75 per cent and a fall in unemployment in May, underpinned the market's most optimistic scenario of economic growth and subdued inflation.

The influence of the futures market could be seen in the pattern of trading. Of total Seaq volume of 720.8m shares, around 50 per cent was in the Footsie-listed shares, a higher proportion than usual and an indication of substantial activity in the blue chip stocks which make up the Footsie contract.

However, the second line stocks were sufficiently active to lift the FT-SE Mid 250 Index by 27.8 to 3,493.7. On Tuesday, retail or customer business was worth £1.19bn, confirming the return to levels of turnover associated with the long-running bull market in London.

Increasing reports that international funds may be moving out of dollar-based securities and towards European bonds, with UK gilts in particular favour, gained some credence yesterday from the strong performance of the London market. Late trading saw bond markets ease back from the day's highs, however.

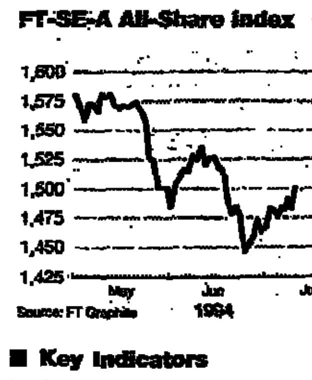
Some nervousness was again expressed regarding the powerful influence exerted by the futures markets, but it is now widely recognised that the stock index futures are the conventional route by which international funds seek to change their asset stance in global markets and that the London futures market has established itself as an important stage for these operations.

Account Dealing Dates

*First Dealings:		
Jul 4	Jul 18**	n/a
Option Declarations:		
Jul 14	Jul 28	n/a
Last Dealings:		
Jul 15	n/a	n/a
Account Day:		
Jul 25	n/a	n/a

*New time dealings may take place from two days earlier. **New 10-day settlement system starts

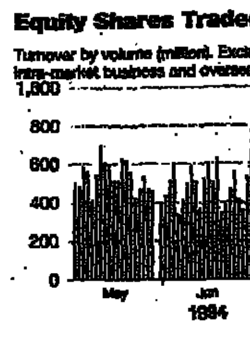
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Key Indicators

Indices and ratios

FT-SE 100	3005.3	+41.4
FT-SE Mid 250	3493.7	+27.8
FT-SE-A 350	1513.1	+18.8
FT-SE-A All-Share	1501.43	+17.55
FT-SE-A All-Share yield	3.92	(3.97)

FT Ordinary index	2358.3	+26.2
FT-SE-A Non Fins p/e	18.99	(18.77)
FT-SE 100 Fut Sep	3015.0	+45.0
10 yr Gilt yield	8.35	(8.41)
Long gilt/equity yld ratio:	2.17	(2.13)

Best performing sectors

1 Tobacco .... +3.7
2 Electricity .... +2.1
3 Oil Exploration & Prod .... +1.9
4 Oil, Intergrated .... +1.8
5 Leisure & Hotels .... +1.8

Worst performing sectors

1 Engineering, Vehicles .... +0.0
2 FT-SE SmallCap ex IT .... +0.1
3 FT-SE SmallCap .... +0.2
4 Building & Constr. .... +0.2
5 Other Financial .... +0.2

Portfolio worries hit Glaxo

Shares in Glaxo the leading UK pharmaceuticals group, were dragged lower in afternoon trading in London when US investors sold heavily on worries over suspected losses on the company's £2.2bn investment portfolio. The company is believed to have lost at least £100m.

Later, it emerged that Glaxo had disbanded its in-house investment arm, which is based in Bermuda, and had already started to liquidate an unspecified portion of its investments prior to appointing a new fund manager. The company refused to say how much of its £1.7bn internal portfolio it was selling. But a spokesman commented; "we are selling some of the investment as a pre-requisite to handing over because new fund managers tend to prefer cash."

The company added that, following an internal investigation, it had decided to hive off its investment arm because, "Glaxo's business is pharmaceuticals and not financial investment." It refused to name the choice of fund manager. Early indications were that the portfolio might be spread among several institutions.

The shares were 11 higher at their peak but US selling outweighed continued institutional buying in the UK and took the price back to 1¼ up at 551p on turnover of 6.9m.

Steel doubts

Turnover in British Steel rose to 22m, making it the day's most heavily traded stock, after NatWest Securities, a long- time bear of the shares, announced a substantial upgrade in its profits forecast. The shares put on 3¼ to 155p.

The securities house, which met British Steel executives on Monday, raised current year profits estimate by £130m to £400m. It said the move took account of changing currency forecasts, and expected rises in product prices in the second half of the year.

However, there was little change in NatWest's general caution on the British Steel and it continued to advise investors to "reduce holdings." Analysts at the broker said: "Even on this new forecast, it remains an overvalued cyclical."

BAA strong

Airports operator BAA cheered the market with better than expected traffic figures for the month of June.

The shares jumped 20 to 948p, on trade of 1.7m after the figures revealed a 9.1 per cent year-on-year increase in passengers handled. UBS reiterated its buy recommendation on the stock boosting sentiment further. The shares have been a strong performer since last week's favourable figures from British Airways.

The news from BAA also encouraged buying of British Airways and the shares finished 10 ahead at 426p, with volume reaching 3.3m.

Oil shares continued to make good progress as prices responded to the recent upsurge in crude oil prices as a result of the Nigerian oil workers strike.

BP was the favourite stock of mant institutional fund managers to participate in the oil price rise, with dealers pointing to the stock's high gearing to rising prices. At the close BP shares were 11 better at 395½p after relatively heavy turnover of 12m. And there was evidence that some US fund managers had moved to buy back some stock after the recent surge of selling from across the Atlantic.

Shell, on the other hand, underformed BP as some institutions remained concerned about the group's sizeable interests in Nigeria. Shell shares settled 6 firmer at 701p.

Exploration and production stocks, which have tended to lag the majors, made rapid progress led by Enterprise which put on 11 to 421p and Lasmo 4 better at 140p.

Better than anticipated figures from tour operator Owners Abroad and an upbeat results statement helped the shares gain 6 to 99p. The group reported a loss of £13.8m, against a loss of £17.4m a year earlier and better than the market's worst fears. Sentiment in Owners spread to Airtours, where the shares hardened 2 to 462p. Solid demand for Rank Organisation ahead of today's interim figures saw the shares appreciate 14¼ to 391½p. Speculation that Thorn EMI may make an announcement on its demerger plans at tomorrow's annual meeting was heard in the market. The shares gained 12 to 1074p.

Insurance and tobacco conglomerate BAT Industries jumped 15 to 425p in response to positive figures from US rival Philip Morris. Also, the group's proposed acquisition of the American Tobacco Company division of American Brands was cleared by the UK Trade and Industry Secretary.

Food and detergent group Unilever was one of the few fallers in the market as what one trader described as a "technical situation" overhung the stock. The shares were also suffering from a recent sector review by Smith New Court which restated the analysts' bearish view on the stock. They closed 3 down at 990p.

Great Universal Stores added a further 13 at 587p as share buy back speculation reached fever pitch ahead of the figures today. Last year the company announced that its was enfranchising its shares and investors are increasingly hungry for good news this year. The market expects a full-year profit of £517m against £475m last year.

SmithKline Beecham recovered 10 to 398p in the 'A's as the recent 9m share bought deal was finally said to have been carried out. Dealers said Smith New Court had taken the stock on at 397p and placed it at 398p. Smith was also said to have been actively on the bid in the pharmaceutical sector and SmithKline rival Wellcome rallied from early pre-results weakness to close 4 up at 604p after being 6 lower, while Zeneca lifted 6½ to 746½p.

Recent weakness in the dollar plus the sale of a 2 per cent block of Willis Corroon and a broker downgrade in Sedgwick continued to drive the insurance brokers lower. Willis settled 3 off at 134p and Sedgwick 7 lower at 157p.

The regional electricity stocks shrugged aside pre-criticism and made good progress as income funds moved in to buy the sector.

Eastern was one of the sector's best performers climbing 19 to 616p, as was East Midlands, up 23 at 605p. Southern jumped 17 to 601p.

Bank shares mirrored the market's surge with HSBC, also stimulated by a strong rise by the Hong Kong market, jumping 21 to 687p. NatWest, now very much in favour with a number of influential UK funds, moved up 11 to 445p.

Royal Bank of Scotland remained a poor performer after the recent stake sale, the shares easing 2 to 402p.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Steve Thompson.

■ Other statistics, Page 23

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (13).
DISTRIBUTORS (1) Polex, ELECTRNC & ELECT EQUIP (1) Nokia Prf., ENGINEERING (1) Renold, EXTRACTIVE INDS (3) Devon, Impala Platinum, Willoughbys' Prf., HOUSEHOLD GOODS (1) Derby, INVESTMENT TRUSTS (1) LEISURE & HOTELS (2) Boosey & Hawkes, Castle Comms, TRANSPORT (1) P & O 5½pc. Pfd., AMERICANS (1) Amer. Cyanamid, CANADIANS (1) Gulf Canada.
NEW LOWS (72).
BUILDING & CNSTRN (2) AMEC 6½p Prf., Jarvis, CHEMICALS (1) Sutcliffe Speakman, DISTRIBUTORS (2) Bletchley Motor, Partco, ELECTRNC & ELECT EQUP (1) Millgate, ENGINEERING (7) APV, Charnring, Forum, GBE Intl., Hill & Smith, MS Intl., Richards, HEALTH CARE (3) Anagen, Drew Scientific, Scholl, INSURANCE (9) CLM, Heath (CE), Hibernian, Marshead, New London Cap., PWS, Sedgwick, Topdanmark, Willis Corroon, INVESTMENT TRUSTS (4) INVESTMENT COMPANIES (2) LEISURE & HOTELS (2) Allied Leisure, Forte, MEDIA (3) News Intl., Phonelink, SelecTV, Oil. EXPLORATION & PROD (1) Brit. Borneo, OTHER FINANCIAL (2) Cater Allen, Woodchester, OTHER SERVS & BUSNS (1) Brit. Bloodstock, PHARMACEUTICALS (1) Lilly (E), PRTNG, PAPER & PACKG (3) Brit. Polythene 7½pc Prf., Field, Waddington (J), PROPERTY (4) Dwyer, Ex-Lands 7½pc 2020, Fletcher King, London Securities, RETAILERS, FOOD (2) Brake Bros., Fyffes, RETAILERS, GENERAL (4) Ashley (L), Betterware, Colorvision, Country Casuals, SUPPORT SERVS (9) Dudley Jenkins, Intl. Comm. & Data, Learmonth & Burchett, Lynx, Microgen, Oxford Molecular, Perma, Spargo, Versatility, TEXTILES & APPAREL (5) Claremont, Hartstone, Lambert Howarth, Richards, Sirdar, TRANSPORT (1) Badgerline, AMERICANS (3) Abbott Labs., Morgan (JP), Time Warner.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures closed above the 3,000 level for the first time in nearly a month as favourable figures on inflation triggered buying by European and US institutions, *writes Joel Kibazo.*

At the close, the September contract on the FT-SE 100 stood at 3,015, up 45 on its previous close, at a strong premium to cash and some 7 points above its fair value premium to cash of about 5 points. Volume was an Average 15,610 lots.

Earlier, the contract had opened firmly at 2,985 which was the first sign that a positive session lay ahead. The UK figures on inflation and unemployment encouraged buying by the large institutions. Dealers suggested that one of Tuesday's main US sellers had turned a big buyer.

September reached its peak of 3,030 over lunch before a bout of nervous selling, ahead of Wall Street's opening brought a brief retreat. This proved short lived and buyers for September were seen once again. The contract maintained a strong premium to cash through out the session which at the day's best stretched to 20 points.

In traded options, most of the sector's activity was centred on the index options. Total volume was 31,343 of which the FT-SE 100 option traded 12,012 and the Euro FT-SE option 10,096. Argyll Group was the busiest stock option at 1,097 lots.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	2995.0	3015.0	+45.0	3030.0	2984.0	15610	49994
Dec	3017.0	3025.0	+45.5	3025.0	3015.0	118	1243

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Sep	-	3490.0	25.0	-	-	0	4385

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Sep	-	3480.0	-	-	-	-	636

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3005) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2825 C	2825 P	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P
Jul	184	½	134	½	84	½	38½	5½	8½	28	1	68½	½	117½	½	167½
Aug	198½	13½	157	22	119½	34	86½	51	68	74	38	102½	24	137	13½	176½
Sep	218½	30½			145	56			85	95			43	152		
Dec	263½	68			198	98			138	138			91½	189		
Mar†	297½	89			233	121			177	162			30½	211½		

Calls 5,457 Puts 4,173 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3300	3350	3400	3450	3500	3550	3600	3650
Jul			95¾ ½	50½ 5¼	18¼ 23¼			

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT-SE Actuaries Share Indices — The UK Series

	Jul 13	Day's chge%	Jul 12	Jul 11	Jul 8	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3005.3	+1.4	2963.9	2963.8	2962.4	2832.3	4.12	7.00	16.89	66.96	1124.31
FT-SE Mid 250	3493.7	+0.8	3465.9	3473.9	3454.6	3222.5	3.53	5.89	20.41	72.61	1291.42
FT-SE Mid 250 ex Inv Trusts	3498.4	+0.8	3471.1	3478.9	3459.8	3238.1	3.68	6.38	19.01	75.32	1289.88
FT-SE-A 350	1513.1	+1.3	1494.3	1502.8	1492.6	1419.2	3.98	6.74	17.59	33.21	1158.75
FT-SE SmallCap	1780.89	+0.2	1777.31	1778.68	1776.51	1633.17	3.16	4.26	29.81	29.85	1371.16
FT-SE SmallCap ex Inv Trusts	1754.33	+0.1	1752.58	1754.32	1753.13	1634.21	3.34	4.66	27.56	30.69	1353.89
FT-SE-A ALL-SHARE	1501.43	+1.2	1483.88	1491.78	1482.25	1405.97	3.92	6.56	18.13	32.42	1169.69

■ FT-SE Actuaries All-Share

	Jul 13	Day's chge%	Jul 12	Jul 11	Jul 8	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2614.65	+1.6	2572.95	2570.46	2574.88	2186.30	3.47	4.48	28.02	47.41	1039.03
12 Extractive Industries(4)	3672.91	+0.4	3656.88	3691.16	3661.37	3108.10	3.47	5.50	22.80	54.24	1002.31
15 Oil, Integrated(3)	2573.98	+1.8	2527.38	2520.68	2532.94	2111.30	3.58	4.60	27.01	50.54	1044.54
16 Oil Exploration & Prod(11)	1940.65	+1.9	1903.60	1891.17	1875.95	1840.50	2.49	1.18	80.00†	20.34	1112.70
20 GEN MANUFACTURERS(264)	1969.30	+1.0	1950.13	1952.73	1935.42	1770.20	3.85	4.69	26.20	40.95	993.63
21 Building & Construction(32)	1156.45	+0.2	1154.02	1161.37	1160.67	1025.90	3.33	4.70	27.28	20.64	898.34
22 Building Matls & Merchs(31)	1966.08	+0.8	1951.08	1961.96	1943.78	1628.80	3.73	4.06	31.02	45.09	920.27
23 Chemicals(22)	2371.70	+1.3	2342.23	2342.26	2332.44	2114.90	3.91	4.07	31.53	58.23	1043.48
24 Diversified Industrials(16)	1984.21	+1.5	1955.55	1966.26	1955.20	1871.70	4.58	4.71	26.13	50.00	1003.36
25 Electronic & Elect Equip(35)	1885.41	+0.9	1868.17	1873.14	1845.89	1983.60	3.98	6.64	18.15	18.43	903.33
26 Engineering(70)	1841.01	+1.1	1821.49	1814.34	1794.83	1565.20	3.08	4.59	25.46	35.60	1046.62
27 Engineering, Vehicles(12)	2346.54	----	2345.76	2330.16	2290.03	1816.60	4.46	2.20	63.05	42.03	1122.98
28 Printing, Paper & Pckg(26)	2788.05	+0.5	2772.06	2767.68	2725.23	2244.30	3.01	5.18	22.93	48.61	1088.07
29 Textiles & Apparel(20)	1643.32	+0.4	1637.30	1617.72	1610.52	1761.80	4.03	6.16	19.98	38.25	924.34
30 CONSUMER GOODS(97)	2599.47	+1.1	2570.87	2597.30	2578.17	2599.10	4.45	7.77	15.06	68.56	885.87
31 Breweries(17)	2141.42	+0.8	2123.47	2115.68	2107.29	1973.50	4.41	8.08	15.16	46.58	953.05
32 Spirits, Wines & Ciders(10)	2723.13	+1.0	2696.84	2723.16	2698.22	2721.20	4.07	7.07	16.39	88.45	912.38
33 Food Manufacturers(23)	2169.86	+0.5	2159.40	2174.51	2147.08	2162.70	4.42	8.16	14.22	61.34	905.98
34 Household Goods(13)	2438.30	+1.1	2412.84	2405.70	2387.24	2188.60	3.60	7.56	15.78	52.16	869.18
36 Health Care(21)	1589.78	+0.5	1581.27	1598.20	1579.60	1711.00	3.08	3.19	64.51	32.14	917.03
37 Pharmaceuticals(12)	2787.39	+0.9	2762.16	2818.75	2833.88	2826.40	4.48	7.84	14.89	59.01	872.23
38 Tobacco(1)	3565.36	+3.7	3439.53	3462.11	3343.05	3677.30	5.91	9.65	11.95	127.93	793.93
40 SERVICES(220)	1914.88	+1.3	1890.71	1902.78	1885.13	1755.30	3.19	6.27	19.06	35.26	934.07
41 Distributors(31)	2700.00	+1.4	2662.68	2649.39	2607.59	2605.20	3.31	6.39	18.44	53.57	928.89
42 Leisure & Hotels(24)	2088.24	+1.8	2051.09	2051.90	2031.63	1636.40	3.50	4.73	24.68	27.43	1017.72
43 Media(38)	2803.84	+0.8	2781.30	2798.55	2774.84	2329.70	2.32	5.29	22.12	49.18	968.81
44 Retailers, Food(17)	1599.40	+1.3	1578.17	1591.73	1570.13	1769.00	4.00	10.05	12.29	40.84	951.66
45 Retailers, General(45)	1664.52	+1.2	1645.50	1661.89	1649.97	1462.40	3.09	6.49	19.10	32.12	884.86
48 Support Services(40)	1532.33	+1.1	1515.63	1516.82	1506.06	1556.80	2.69	6.14	19.16	24.61	927.22
49 Transport(16)	2340.64	+1.6	2303.38	2326.93	2306.62	2045.50	3.58	5.01	21.62	39.83	911.41
51 Other Services & Business(9)	1141.76	+0.3	1138.82	1141.40	1147.23	1200.90	4.30	3.07	53.83	16.16	973.47
60 UTILITIES(36)	2222.87	+1.3	2195.22	2217.58	2206.81	2120.00	4.74	8.38	14.47	40.18	843.97
62 Electricity(17)	2165.57	+2.1	2120.84	2133.38	2121.17	1780.70	4.23	11.25	10.60	40.84	883.45
64 Gas Distribution(2)	1821.39	+1.6	1791.98	1791.98	1801.57	1917.30	6.58	‡	‡	66.79	832.39
66 Telecommunications(4)	1981.21	+0.7	1967.34	2000.41	1960.12	1970.10	4.17	7.86	15.48	10.63	828.48
68 Water(13)	1638.98	+0.7	1627.25	1640.91	1649.01	1680.00	5.93	14.33	7.84	65.77	817.75
69 NON-FINANCIALS(695)	1628.05	+1.2	1608.82	1618.02	1606.95	1509.78	3.92	8.33	18.99	33.70	1139.19
70 FINANCIALS(104)	2088.19	+1.2	2061.73	2070.11	2061.28	2081.10	4.33	8.82	13.04	58.41	818.50
71 Banks(10)	2666.50	+1.5	2625.93	2626.94	2615.77	2552.20	4.07	9.21	12.34	73.83	789.72
73 Insurance(17)	1177.16	+1.0	1165.42	1185.54	1187.18	1429.70	5.48	12.25	9.09	36.83	796.65
74 Life Assurance(6)	2284.82	+1.0	2261.09	2261.16	2268.25	2671.30	5.44	7.96	15.43	82.97	867.38
75 Merchant Banks(6)	2759.62	+1.7	2714.65	2731.08	2716.71	2570.20	3.63	11.96	9.74	69.60	828.29
77 Other Financial(24)	1777.60	+0.2	1773.63	1770.68	1767.68	1563.40	3.90	8.25	14.49	42.83	943.19
79 Property(41)	1556.37	+0.3	1554.11	1585.47	1547.31	1401.90	3.87	3.91	31.97	34.97	867.58
80 INVESTMENT TRUSTS(123)	2684.45	+0.8	2661.42	2686.64	2652.07	2384.10	2.24	1.91	52.96	37.51	897.76
89 FT-SE-A ALL-SHARE(862)	1501.43	+1.2	1483.88	1491.78	1482.25	1405.97	3.92	6.56	18.13	32.42	1169.69

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2975.0	2986.8	2998.7	3002.0	3002.6	3002.1	3001.1	2999.1	3003.6	3006.9	2975.0
FT-SE Mid 250	3468.8	3472.7	3480.2	3485.8	3487.5	3488.5	3490.3	3489.8	3492.8	3493.7	3468.7
FT-SE-A 350	1498.9	1503.9	1508.2	1511.1	1511.5	1511.4	1511.2	1510.3	1512.3	1513.1	1498.9

Time of FT-SE 100 High 11.00am Low 8.30am

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1102.5	1100.5	1103.6	1104.9	1106.8	1106.7	1106.3	1107.8	1107.3	1107.3	1103.7	+3.6
Pharmaceuticls	2754.8	2768.9	2775.0	2771.7	2776.2	2770.7	2765.7	2760.8	2757.4	2762.7	2737.3	+25.4
Water	1625.2	1620.1	1621.5	1622.7	1625.1	1624.9	1625.5	1625.9	1630.6	1636.1	1624.3	+11.8
Banks	2684.7	2688.6	2700.8	2703.4	2693.7	2694.0	2696.4	2695.5	2698.0	2699.8	2658.7	+41.1

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

FT GOLD MINES INDEX

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	58	4	10
Other Fixed Interest	8	1	6
Mineral Extraction	98	20	82
General Manufacturers	145	96	412
Consumer Goods	50	29	112
Services	108	70	327
Utilities	33	2	10
Financials	124	57	188
Investment Trusts	229	8	231
Others	78	15	42
Totals	931	302	1420

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	July 11	Last Declarations	Oct 13
Last Dealings	July 22	For settlement	Oct 24

Calls: Avesco, Crossroads Oil, Drew Scientific, Goldsmiths, Lucas Wts, Wembley. Puts: Goldsmiths. Puts & Calls: Betterware, Hay (Norman), Navan Res.

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£21⅔	-⅛	£26⅜	£20⅔	6,425	5.1	Φ
ANZ A$		189½	+2½	278¼	179¾	2,569	4.9	14.5
Abbey National	♣N□	407	+7	529	381	5,339	4.3	13.7
Allied Irish I£	♣N□	280	—	314	234	1,647	5.0	9.6
Anglo Irish I£	♣N□	55xd	+1	*70	50	189.3	7.8	10.0
Asahi Y		782	+5½	818¼	628	10,382	0.6	Φ
Banco Bil Viz Pta		£14⅛	-¼	£18⅞	£14⅛	3,262	5.8	6.4
Banco Sant Pta		£30½	—	*£30½	£23¼	4,608	4.7	10.8
Bk Ireland I£	♣□	271xd	—	*318	246	1,277	4.8	7.8
Bank Scotland	♣N□	179	+1½	247	172½	2,667	3.5	14.6
9¼pc Pf		118½	+¼	141½	114	118.5	9.8	-
9¾pc Pf		123¼	—	149½	119¾	123.2	9.9	-
Barclays	♣N□	532	+6	646	487	8,666	3.8	22.0
Dai Ichi Kan Y		£12	—	£12⅔	£10⅛	37,455	0.5	66.4
Deutsche DM		£298⅞	-1⅛	£344¼	£270⅞	14,205	2.0	-
Espirito Santo		£18⅔	+1⅛	£28⅛	£17⅞	193.7	4.8	4.5
First Nat Fin	N□	65	—	*90	60	107.8	2.9	-
6.3pc Cv Pf		79xd	—	*80	77	5.31	10.0	-
7pc Cv Pf		130½xd	-½	171	123	61.9	6.7	-
Fuji Bank Y		1490	-1¼	1540¼	1152½	42,877	0.4	Φ
HSBC HK	N□	705	+20	1133	680	12,387	4.2	10.2
HSBC (75p Shs)	N□	697	+21	1113	680	5,828	4.3	9.9
Lloyds	N□	534	-5	660	519	6,984	5.2	11.3
Mitsubishi Y		£17	-⅛	£18⅔	£15⅝	48,992	0.3	Φ
Mits Tst & Bk Y		1031¼	-3½	1162¼	887½	12,368	0.5	18.6
Mitsui Tst & Bk Y		786	+4	879	514	8,179	0.7	26.1
Nat Aust A$	†	520¼xd	+16½	620¼	488¼	8,969	4.8	12.7
NatWest	N□	445	+11	622	421	7,404	5.2	10.2
Ottomane FFr		£23½	—	£38	£23½	117.5	6.2	Φ
[illegible]								

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or −	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£25¾	—	£27½	£13½	1,878	2.9	18.6
Barlow	z	641½xd	—	£5⅛	£3⅜	886.8	0.7	–
Gold Flds Prop R		97	—	108	76	9.92	10.3	8.6
HK Props.	s	85	—	95	85	3.42	10.5	34.9
SASOL		349	+14	382	280	1,977	4.5	–
SA Brews		£11⅞	−⅛	£15⅞	£10	3,288	2.3	19.4
Tiger Oats	†	606xd	−38	838	538	822.2	2.6	12.7
Tongaat-Hulett		684xc	+2	*739¼	427½	488.7	2.4	18.2

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated seperately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ф Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: *The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows:* (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; *a short period of time may elapse before prices become available.*

HISTORIC PRICING: The letter *H* denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. *The managers must deal at a forward* price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, *103 New Oxford Street, London WC1A 1QH* Tel: 071-379-0444.

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Thornton Unit Managers Ltd (1200)F
33 Queen Street, London EC4R 1AX 071-246 3000
Dealing 071-246 3001

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
American Smllr Cos	5	59.61	59.61	63.64	-0.65	-
(Accum Units)	5	61.48	61.48	65.57	-0.65	-
Discover Europe Bd	5	41.65	41.65	43.66	+0.26	5.9
(Accum Units)	5	59.95	59.95	63.61	+0.47	5.9
European	5	271.76	271.76	289.89	+1.95	0.9
(Accum Units)	5	272.74	272.74	290.13	+1.96	0.9
Exempt	5½	502.13	502.13	523.06	+5.61	3.7
(Accum Units)	5½	1654.83	1654.83	1738.08	+18.49	3.7
Horizon Growth	6½	46.27	46.27	49.25	+1.25	0.0
Global Emerging Mkts	5	101.33	101.33	107.82	+0.80	0.6
(Accum Units)	5	110.33	110.33	117.40	+0.85	0.6
Japan Tst	5	95.84	95.84	102.18	-0.04	-
(Accum Units)	5	95.84	95.84	102.18	-0.04	-
Little Dragons	5	88.55	88.55	94.45	+1.40	-
(Accum Units)	5	91.15	91.15	97.22	+1.45	-
Nth Amer Gwth	5	209.78	209.78	223.77	+1.60	0.7
(Accum Units)	5	261.28	261.28	278.70	+1.95	0.7
Oriental Income	5	48.07	48.07	51.27	+0.37	4.8
(Accum Units)	5	63.35	63.35	67.57	+0.45	4.8
Preference	6½	119.58	119.58	127.86	-0.04	8.5
(Accum Units)	5½	589.95	589.95	641.85	-0.17	8.5
Tiger	5	267.87	267.87	285.72	+3.57	-
(Accum Units)	5	281.42	281.42	300.18	+3.76	-
UK Blue Chip	5	59.95	59.95	63.96	+0.73	3.1
(Accum Units)	5	63.16	63.16	67.41	+0.78	3.1
UK Growth	5½	488.51	488.51	522.47	+8.48	2.3
(Accum Units)	5½	1082.30	1082.30	1158.20	+14.44	2.3
UK High Yield	5½	98.82	98.82	105.69	+0.85	3.8
(Accum Units)	5½	315.83	315.83	337.57	+2.77	3.8
UK Mid-Cap	5½	247.16	247.16	264.34	+0.88	2.0
(Accum Units)	5½	454.10	454.10	485.66	+1.23	2.0
UK Smllr Cos	5	95.13	95.94	102.00	-0.29	1.1
(Accum Units)	5	113.91	117.50	125.76	-0.35	1.1
UK Smaller Cos Div	5½	95.95	95.95	102.51	-0.85	4.7
(Accum Units)	5½	163.72	163.72	175.10	-1.44	4.7

Waverley Unit Tst Mngmt Ltd (1000)F
13 Charlotte Sq, Edinburgh 031-225 1551

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Australasian Gold	6	29.48	29.48	31.34	-0.08	-
Pacific Basin	6	41.26	41.26	43.88	-0.15	-
Can Balanced Gwth	6	27.44	27.44	29.18	+0.1	-
Global Bond	4	0.8858	0.8858	0.9228	-0.001	6.21
Penny Share	6	27.85	30.35	32.28	-0.08	0.5

Whittingdale Unit Tst Mgmt Ltd (0830)F
2 Honey Lane, London EC2V 8BT 071-600 0402

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Challenger	2½	92.54	92.54	94.68	[illegible]	0.00
Short Dtd Gilt	1¼	108.4	108.4	109.8	[illegible]	0.00
U.S. Government Bond	1¼	0.7202	0.7202	0.7378	[illegible]	0.00
Gilt Income	4	49.31	49.31	51.32	[illegible]	7.25
Gilt Growth	4	68.58	68.58	71.35	[illegible]	0.00
City Reserve	0	52.65	52.65	52.65	[illegible]	4.30

Woolwich Unit Trust Managers Ltd (1700)H
2 White Oak Square, Swanley BR8 7AG 081-298 4000

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Stockmarket Fd	5	75.46	75.46	80.29	-0.80	2.01

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Ser. 1	285.5	300.6		-
Equity Ser. 1	156.8	165.1	+1.3	-
Prop. Acc. Ser 2	521.1	548.6		-
Equity Ser 2	209.2	220.2	+1.6	-
Selective Acc. Ser 2	472.2	497.1	+1.6	-
Prop. Ser. 4	408.7	430.2		-
Equity Ser. 4	203.8	214.5	+7.2	-
Man. Ser. 4	645.0	680	+2.1	-
Fixed Int. Ser. 4	336	353.7	+1.7	-
Indexed Inv. Ser. 4	203.1	213.8	+0.6	-
American Ser. 4	473.4	498.4	+0.6	-
Japan Ser 4	394.7	415.5	+0.7	-
European Ser 4	165.9	174.7	+0.7	-
High Inc. Ser. 4	639.5	673.2	+1.7	-
Money Ser 4	324.4	341.5		-
Intl Ser 4	189.5	199.5		-
Custodian Ser. 4	170.1	179.1	+0.4	-
Asian Pacific	192.1	202.3	+1.9	-
Ethical	131.2	138.2	-0.1	-
Protected Growth	110.7	116.6		-
Pension Funds				
Property	793.8	835.4	+0.1	-
Equity	1592.2	1676	+12.7	-
Selective	539.1	654.4	+2.2	-
Managed	1,376.1	1451.7	+6.1	-
Security	711.8	749.3		-
Fixed Int.	434.3	457.2	+2.6	-
Indexed	229.9	242	+0.7	-
American	460.8	484.1	+0.7	-
Japan	451.8	475.6	+0.9	-
European	256.5	270	+1.5	-
High Income	192.8	203	+0.7	-
Ethical	193.3	203.5	-0.2	-
International	370.2	389.7	+0.1	-
Protected Growth	124.9	131.5	-0.1	-
Asian Pacific	81.3	85.6	+0.8	-

Abbey National Life Plc
287 St Vincent Street, Glasgow 041 306 6000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	111.7	117.6	+0.8	-
UK Equity	111.0	116.9	+0.5	-
International	118.3	124.6	+0.5	-
Deposit	101.6	106.9		-
Pension Managed	111.8	117.8	+0.7	-
Pension UK Equity	109.6	115.4	+1.0	-
Pension International	120.9	127.3	+0.6	-
Pension Deposit	103.9	109.4		-

Acuma Life Assurance Ltd
42 Southwark Bridge Road, London SE1 9HE 071 980 3433

Canada Life Group

Century Life Plc

City of Westminster Assurance Co Ltd

Clerical Medical/Fidelity Investments

OTHER UK UNIT TRUSTS

INSURANCES

AIG Life

AXA Equity & Law Life Assce

Family Life Assurance Ltd

Irish Life Assurance Co Plc

M & G Life and M & G Pensions

National Westminster Life Assce Ltd - Contd.

Prudential Corporate Pension Funds

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Scottish Equitable plc - Contd.	Bid Price	Offer Price	+ or -	Yield Gross
Pens UK Equity	778.1	819.0	+5.1	-
Pens International	611.6	643.6	+3.2	-
Pens Nth American	239.0	251.6	+2.3	-
Pens European	294.7	310.3	+7.6	-
Pens Japan	314.8	331.3	-0.3	-
Pens Pacific	461.3	485.6	-8.8	-
Pens UK Fixed Interest	360.7	379.7	+3.3	-
Pens Index Linked	191.1	201.2	+0.7	-
Pens Cash	265.175	279.343	+0.035	-
Pens Property	257.28	270.82	-	-
Pens Ethical	189.2	199.7	+0.1	-
Edinburgh Uav	370.0	385.6	+2.4	0
Baillie Gifford Japan	243.7	256.7	+1.6	-
Pens Global	107.4	113.1	+0.6	-
Pens Emerg Mkts	123.3	129.8	+1.9	-
Pens Overseas Bond	91.8	96.6	+0.5	-
Pens UK Smaller Cos	91.5	96.3	-	-
Pens Latin America	76.8	80.8	-	-

Scottish Life Investments
19 St Andrew Square, Edinburgh 031-225 2211

	Bid Price	Offer Price	+ or -	Yield Gross
Property	220.9	232.6	-	-
UK Equity	336.2	354.0	+3.0	-
American	234.6	246.9	+3.0	-
Pacific	366.6	385.9	+0.6	-
European	457.1	481.6	+1.0	-
International	304.7	320.8	+1.9	-
Fixed Interest	229.3	241.5	+0.1	-
Index Linked	188.4	198.3	-0.1	-
Deposit	191.7	201.9	-	-
Managed	276.3	290.9	+1.6	-
Worldwide	121.2	127.6	+0.4	-
With Profits Pens	92.3	97.3	+0.1	-
Pens. Property	259.1	272.8	-	-
Pens. UK Equity	400.9	422.1	+4.3	-
Pens. American	259.5	273.3	+4.0	-
Pens. Pacific	423.3	445.7	+0.7	-
Pens. European	565.2	595.0	+2.0	-
Pens International	360.3	379.3	+2.5	-
Pens. Fixed Int	289.7	305.0	+0.2	-
Pens. Index Linked	202.9	213.7	+0.1	-
Pens. Deposit	258.0	271.6	-	-
Pens. Managed	331.9	349.4	+2.6	-
Pens. Worldwide	128.8	135.4	+0.6	-

Scottish Mutual Assurance plc
109 St Vincent St, Glasgow 041-248 6321

Sun Alliance Group - Contd.

CMI Insurance Co Ltd

Scottish Provident Intl Life Ass Ltd

Guinness Flight Fd Mngrs - Contd.

Sasoll International (Guernsey) Ltd

Baring Mutual Fund Mngmt (Ireland) Ltd

Barclays International Funds - Contd.

MANAGEMENT SERVICES

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

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GUERNSEY (REGULATED)(**)

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IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

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JERSEY (SIB RECOGNISED)

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LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Rumours boost dollar

Rumours of a rise in US interest rates and ongoing fears of central bank intervention yesterday helped the dollar bounce off recent lows, *writes Philip Gawith.*

These factors overshadowed the release of US consumer inflation figures which were in line with market forecasts - a 2.5 per cent year on year rise to June. As with Monday's producer inflation figures, the market's initial response was to sell the dollar as the figures did not seem to provide cause for the Fed to tighten policy.

The dollar finished 1¼ pfennigs higher against the D-Mark in London at DM1.5383 from DM1.5235. Against the yen it closed at Y98.155 from Y96.8050.

The dollar's bounce came amid evidence of increasing nervousness in the market that the currency might be close to the bottom. Sentiment remains negative, but investors are wary of being caught short.

The D-Mark turned in a mixed performance in Europe, amid evidence that investors have used the currency's recent strength as an opportunity to take profits. The Belgian franc finished unchanged at BFr20.61 against the D-Mark after the central bank cut its central rate to 4.90 per cent from 4.95 per cent.

This brought Belgian rates in line with German rates following a two basis point cut in the German repo rate to 4.91 per cent.

■ The good inflation data in the US released yesterday and on Tuesday did not deter markets from working themselves into a frenzied lather of expectation about the Fed raising rates. Initial rumours involved a 50 basis point rise in the discount and Fed funds rates. The size of the likely increase later grew to 100 basis point.

Mr David Cocker, economist at Chemical Bank, said the relatively modest bounce in the currency suggested the market was not altogether convinced by the rumours.

But Mr Ian Gunner, international economist at Chase Manhattan, said the bounce "shows the market is slightly nervous about these levels. The lower we get, the more nervous the market gets."

Mr Cocker said there had been reasonable buying from a wide variety of sources, but underlying sentiment remained deeply negative towards the dollar. He said the dollar was enjoying a "corrective rally" rather than a sustainable upward move.

The Chemical analyst said the further rumour that the Fed was taking prices "added to the sense in the market that the Fed is keen to stabilise the dollar now." He said the rate of decline in the dollar on Tuesday had been approaching levels which central banks might have considered inappropriate.

The German newspaper Handelsblatt, meanwhile, reported that "sources in the US president's delegation let it be known on Tuesday that a consensus had been in Naples to accept a dollar level of Y96.98 or DM1.50 and (only) to intervene heavily below this level."

Mr Peter Luxton, economist at Barclays in London, said the sober performance in recent days of the D-Mark, against European crosses, was a "possible early indicator that the bear market in $/DM may have been overdone."

He said the 9 per cent fall in the dollar since the beginning of June was difficult to understand since all the explanations put forward - such as a large trade deficit and adverse capital flows - had been present all along.

Mr Luxton said that if the Fed were to raise rates now, against a benign inflation background, this would be very well received by the market. It would show that the Fed was responding pro-actively to inflation - the market has worried that it has fallen "behind the game" - and that it was not bowing to the Clinton White House which has made clear that it does not feel rates need to rise.

■ Short sterling futures had a heady day after the release of better than expected retail prices inflation. It fell to 2.4 per cent in June from 2.5 per cent in May.

Volumes were heavy, with the December contract trading nearly 55,000 lots to close 16 basis points up at 93.85. Analysts said the market was buoyant, with rates converging on the cash rates after a protracted period of extreme interest rate pessimism.

A gilt auction at the end of the week, and the health of sterling, are the main obstacles to further advances.

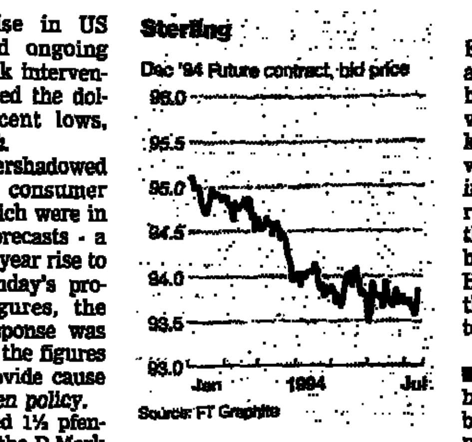
The sterling index closed slightly firmer at 79 from 78.8. The pound was slightly firmer against the D-Mark, at DM2.4089 from DM2.3958. It slipped slightly against the dollar to finish at $1.566 from $1.5725.

The Bank of England provided £680 of late assistance to UK money markets after earlier forecasting a £850m shortage. The Bank had earlier provided £63m assistance. Overnight money traded between 4¼ and 7 per cent.

■ German call money eased slightly to 4.90/5 per cent from 4.95/5.05 per cent after the Bundesbank sanctioned a two basis point decline in the repo rate to 4.91 per cent. With the small fall in the repo suggesting rates may be close to the bottom, euromark futures lost ground. The December contract closed at 95.05 from 95.09.

Sterling

Dec '94 Future contract, bid price



Source: FT Graphite

■ Pound in New York

Jul 13	Latest	Prev. close
£ spot	1.5670	1.5685
1 mth	1.5665	1.5680
3 mth	1.5662	1.5675
1 yr	1.5646	1.5645

■ OTHER CURRENCIES

Jul 13	£	$
Hungary	156.304 - 156.510	99.8300 - 99.9300
Iran	2746.00 - 2748.00	1748.00 - 1750.00
Kuwait	0.4617 - 0.4631	0.2948 - 0.2957
Poland	34825.4 - 34875.8	22115.0 - 22140.0
Russia	3157.08 - 3161.75	2016.00 - 2019.00
U.A.E.	5.7472 - 5.7588	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jul 13		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.9397	+0.1021	330 - 463	16.9480	16.7622	16.9359	0.3	16.9303	0.2	-	-	116.3
Belgium	(BFr)	49.6438	+0.2751	076 - 799	49.6799	49.4030	49.5638	-0.5	49.6988	-0.4	49.6188	0.1	117.0
Denmark	(DKr)	9.4613	+0.0388	576 - 650	9.4650	9.4160	9.4683	-0.9	9.4834	-0.8	9.5293	-0.7	117.4
Finland	(FM)	7.9746	+0.0527	653 - 839	7.9839	7.9130	-	-	-	-	-	-	82.6
France	(FFr)	8.2549	+0.0265	512 - 586	8.2588	8.2271	8.2598	-0.7	8.2666	-0.6	8.2573	0.0	110.0
Germany	(DM)	2.4089	+0.0131	080 - 098	2.4096	2.3968	2.4089	0.0	2.4072	0.3	2.3857	1.0	128.2
Greece	(Dr)	383.222	+1.389	929 - 515	383.816	381.538	-	-	-	-	-	-	-
Ireland	(I£)	1.0117	+0.0025	106 - 128	1.0135	1.0089	1.012	-0.4	1.013	-0.5	1.0159	-0.4	104.4
Italy	(L)	2390.64	+15.93	949 - 159	2391.59	2374.61	2397.34	-3.4	2409.54	-3.2	2458.14	-2.8	77.0
Luxembourg	(LFr)	49.6438	+0.2751	076 - 799	49.6799	49.4030	49.6638	-0.5	49.6988	-0.4	49.6188	0.1	117.0
Netherlands	(Fl)	2.6950	+0.0083	938 - 962	2.7031	2.6895	2.695	0.0	2.6938	0.2	2.6724	0.8	121.0
Norway	(NKr)	10.5601	+0.0436	556 - 645	10.5645	10.4994	10.5571	0.3	10.5676	-0.3	10.5536	0.1	86.5
Portugal	(Es)	247.107	+0.853	911 - 303	247.445	246.034	248.062	-4.7	250.027	-4.7	-	-	-
Spain	(Pta)	198.328	+1.176	218 - 438	198.438	196.984	198.833	-3.1	199.773	-2.9	203.083	-2.4	88.8
Sweden	(SKr)	11.8856	+0.0649	782 - 929	11.8929	11.8012	11.9091	-2.4	11.9636	-2.6	12.1891	-2.6	73.9
Switzerland	(SFr)	2.0291	+0.006	284 - 298	2.0306	2.0231	2.0277	0.8	2.0247	0.9	1.9992	1.5	121.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.0
Ecu	-	1.2596	+0.0051	590 - 602	1.2602	1.2541	1.2605	-0.9	1.2623	-0.9	1.2633	-0.3	-
SDR†	-	0.936792	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5828	-0.0068	824 - 831	1.5703	1.5819	-	-	-	-	-	-	-
Brazil	(R)	1.4375	-0.0029	357 - 393	1.4512	1.4357	-	-	-	-	-	-	-
Canada	(C$)	2.1605	-0.0131	597 - 612	2.1712	2.1597	2.1624	-1.0	2.1659	-1.2	2.1961	-1.6	85.6
Mexico	(New Peso)	5.3244	-0.0217	196 - 292	5.3455	5.3198	-	-	-	-	-	-	-
USA	($)	1.5660	-0.0065	657 - 662	1.5736	1.5650	1.5656	0.3	1.5652	0.2	1.5631	0.2	62.2
Pacific/Middle East/Africa													
Australia	(A$)	2.1186	-0.0222	172 - 199	2.1367	2.1172	2.1183	0.2	2.1203	-0.3	2.1367	-0.9	-
Hong Kong	(HK$)	12.0987	-0.0513	960 - 014	12.1567	12.0926	12.0948	0.4	12.0937	0.2	12.1007	0.0	-
India	(Rs)	49.1200	-0.2074	082 - 317	49.3560	49.0960	-	-	-	-	-	-	-
Japan	(Y)	153.706	+1.47	642 - 770	153.830	152.510	153.331	2.9	152.636	3.0	148.266	3.5	190.4
Malaysia	(M$)	4.0535	-0.0141	520 - 549	4.0715	4.0477	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5854	-0.0138	828 - 879	2.5975	2.5828	2.5891	-1.7	2.5965	-1.7	2.6141	-1.1	-
Philippines	(Peso)	41.2629	-0.3299	648 - 609	41.6609	40.8848	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8729	-0.0246	717 - 740	5.9013	5.8695	-	-	-	-	-	-	-
Singapore	(S$)	2.3674	-0.006	666 - 681	2.3780	2.3653	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.7209	-0.0043	187 - 229	5.7446	5.6993	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.2347	-0.0618	179 - 515	7.3064	7.2179	-	-	-	-	-	-	-
South Korea	(Won)	1261.82	-5.28	184 - 220	1268.01	1261.23	-	-	-	-	-	-	-
Taiwan	(T$)	41.7085	-0.281	982 - 228	41.9065	41.6938	-	-	-	-	-	-	-
Thailand	(Bt)	39.0235	-0.1475	016 - 454	39.1980	39.0016	-	-	-	-	-	-	-

†SDR rate for Jul 12. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 13		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.8175	+0.11	150 - 200	10.8200	10.7350	10.822	-0.5	10.83	-0.5	10.7675	0.5	104.4
Belgium	(BFr)	31.7020	+0.307	840 - 200	31.7200	31.2900	31.7245	-0.9	31.752	-0.6	31.777	-0.2	106.1
Denmark	(DKr)	6.0419	+0.0498	405 - 433	6.0433	5.9963	6.0479	-1.2	6.0589	-1.1	6.0959	-0.9	105.7
Finland	(FM)	5.0926	+0.0547	874 - 978	5.0978	5.0500	5.0955	-0.7	5.098	-0.4	5.137	-0.9	77.4
France	(FFr)	5.2715	+0.0388	700 - 730	5.2730	5.2320	5.2759	-1.0	5.2813	-0.7	5.2635	0.2	106.3
Germany	(D)	1.5383	+0.0148	380 - 386	1.5386	1.5255	1.5387	-0.3	1.538	0.1	1.5263	0.8	107.3
Greece	(Dr)	231.950	+1.85	800 - 100	232.100	230.700	233.3	-7.0	234.15	-3.8	236.45	-1.9	69.5
Ireland	(I£)	1.5479	-0.0104	464 - 493	1.5590	1.5455	1.5469	0.7	1.5449	0.8	1.538	0.6	-
Italy	(L)	1526.56	+16.48	615 - 700	1527.00	1512.00	1531.33	-3.7	1538.43	-3.4	1572.56	-3.0	77.4
Luxembourg	(LFr)	31.7020	+0.307	840 - 200	31.7200	31.2900	31.7245	-0.9	31.752	-0.6	31.777	-0.2	106.1
Netherlands	(Fl)	1.7210	+0.0125	205 - 215	1.7247	1.7094	1.7214	-0.3	1.721	0.0	1.7098	0.7	106.0
Norway	(NKr)	6.7438	+0.0558	418 - 458	6.7453	6.6903	6.7471	-0.6	6.7516	-0.5	6.7271	0.2	96.8
Portugal	(Es)	157.800	+1.2	700 - 900	157.900	156.840	159	-9.1	161.17	-8.5	167.6	-6.2	94.5
Spain	(Pta)	126.650	+1.275	600 - 700	126.700	125.850	127.005	-3.4	127.63	-3.1	129.91	-2.6	81.7
Sweden	(SKr)	7.5900	+0.0728	865 - 935	7.5935	7.5160	7.607	-2.7	7.6435	-2.8	7.798	-2.7	79.2
Switzerland	(SFr)	1.2958	+0.0093	955 - 960	1.2960	1.2860	1.2952	0.5	1.2936	0.7	1.279	1.3	106.8
UK	(£)	1.5660	-0.0065	657 - 662	1.5736	1.5650	1.5656	0.3	1.5652	0.2	1.5631	0.2	86.9
Ecu	-	1.2432	-0.0104	428 - 436	1.2518	1.2428	1.2419	1.3	1.24	1.0	1.2492	-0.5	-
SDR†	-	1.47456	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9980	-0.0002	979 - 980	0.9980	0.9979	-	-	-	-	-	-	-
Brazil	(R)	0.9180	+0.002	170 - 190	0.9190	0.9170	-	-	-	-	-	-	-
Canada	(C$)	1.3797	-0.0026	794 - 799	1.3835	1.3788	1.3834	-3.2	1.3844	-1.4	1.405	-1.8	81.8
Mexico	(New Peso)	3.4001	+0.0004	976 - 026	3.4026	3.3976	3.4011	-0.4	3.4029	-0.3	3.4103	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.3
Pacific/Middle East/Africa													
Australia	(A$)	1.3529	-0.0085	523 - 535	1.3607	1.3523	1.3531	-0.2	1.3538	-0.3	1.3612	-0.6	85.5
Hong Kong	(HK$)	7.7261	-0.0004	258 - 266	7.7278	7.7256	7.7259	0.0	7.7268	0.0	7.7418	-0.2	-
India	(Rs)	31.3675	-0.0013	650 - 700	31.3700	31.3650	31.4525	-3.3	31.5975	-2.9	-	-	-
Japan	(Y)	98.1550	+1.35	300 - 800	98.1800	97.3000	97.94	2.6	97.46	2.8	94.875	3.3	152.2
Malaysia	(M$)	2.5885	+0.0018	880 - 890	2.5890	2.5862	2.5793	4.3	2.568	3.2	2.6415	-2.0	-
New Zealand	(NZ$)	1.6510	-0.0019	496 - 523	1.6562	1.6480	1.652	-0.7	1.6538	-0.7	1.6591	-0.5	-
Philippines	(Peso)	26.3500	-0.1	000 - 000	26.6000	26.1000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	502 - 505	3.7505	3.7502	3.7517	-0.4	3.7558	-0.6	3.7744	-0.6	-
Singapore	(S$)	1.5118	+0.0012	115 - 120	1.5125	1.5110	1.5104	1.1	1.5085	0.9	1.5018	0.7	-
S Africa (Com.)	(R)	3.6533	+0.0125	525 - 540	3.6590	3.6420	3.6688	-5.1	3.6971	-4.8	3.7738	-3.3	-
S Africa (Fin.)	(R)	4.6200	-0.02	100 - 300	4.6620	4.6100	4.6537	-8.8	4.7125	-8.0	-	-	-
South Korea	(Won)	805.850	-	800 - 900	805.900	805.800	808.85	-4.5	812.35	-3.2	830.85	-3.1	-
Taiwan	(T$)	26.6353	-0.0677	310 - 395	26.6520	26.6270	26.6553	-0.9	26.6953	-0.9	-	-	-
Thailand	(Bt)	24.9200	+0.01	100 - 300	24.9300	24.9100	24.9925	-3.5	25.12	-3.2	25.6	-2.7	-

†SDR rate for Jul 12. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 12. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 13		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.08	16.63	4.851	2.037	4816	5.429	21.27	497.8	399.5	23.98	4.087	2.015	4.351	3.155	309.6	2.536
Denmark	(DKr)	52.47	10	8.724	2.545	1.069	2526	2.849	11.16	261.2	209.6	12.58	2.145	1.057	2.283	1.655	162.5	1.331
France	(FFr)	60.14	11.46	10	2.917	1.225	2896	3.265	12.79	299.4	240.2	14.39	2.458	1.212	2.617	1.897	186.2	1.525
Germany	(DM)	20.61	3.929	3.428	1	0.420	992.5	1.119	4.385	102.6	82.35	4.934	0.843	0.415	0.897	0.650	63.83	0.523
Ireland	(I£)	49.10	9.358	8.164	2.382	1	2364	2.666	10.45	244.4	196.1	11.75	2.007	0.989	2.136	1.549	152.0	1.245
Italy	(L)	2.077	0.396	0.345	0.101	0.042	100.	0.113	0.442	10.34	8.297	0.497	0.085	0.042	0.090	0.066	6.431	0.053
Netherlands	(Fl)	18.42	3.511	3.063	0.894	0.375	886.8	1	3.918	91.69	73.58	4.408	0.753	0.371	0.801	0.581	57.03	0.467
Norway	(NKr)	47.01	8.959	7.816	2.280	0.957	2263	2.552	10	234.0	187.8	11.25	1.921	0.947	2.045	1.483	145.5	1.192
Portugal	(Es)	20.09	3.829	3.340	0.975	0.409	967.2	1.091	4.274	100.	80.25	4.808	0.821	0.405	0.874	0.634	62.20	0.510
Spain	(Pta)	25.03	4.771	4.162	1.214	0.510	1205	1.359	5.325	124.6	100.	5.991	1.023	0.504	1.089	0.790	77.51	0.635
Sweden	(SKr)	41.78	7.964	6.948	2.027	0.851	2012	2.269	8.889	208.0	166.9	10	1.708	0.842	1.818	1.318	129.4	1.060
Switzerland	(SFr)	24.47	4.663	4.068	1.187	0.498	1178	1.328	5.205	121.8	97.73	5.856	1	0.493	1.065	0.772	75.75	0.621
UK	(£)	49.64	9.461	8.254	2.408	1.011	2390	2.695	10.56	247.1	198.3	11.88	2.029	1	2.160	1.566	153.7	1.259
Canada	(C$)	22.98	4.380	3.821	1.115	0.468	1106	1.248	4.889	114.4	91.81	5.500	0.939	0.463	1	0.725	71.16	0.583
US	($)	31.70	6.042	5.271	1.538	0.646	1526	1.721	6.743	157.8	126.6	7.586	1.296	0.639	1.379	1	98.15	0.804
Japan	(Y)	323.0	61.55	53.70	15.67	6.578	15550	17.53	68.71	1608	1290	77.29	13.20	6.506	14.05	10.19	1000.	8.191
Ecu		39.43	7.515	6.556	1.913	0.803	1898	2.141	8.388	196.3	157.5	9.436	1.612	0.794	1.716	1.244	122.1	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6533	0.6537	-0.0004	0.6554	0.6506	52,056	96,503
Dec	0.6535	0.6547	+0.0005	0.6561	0.6528	310	2,958
Mar	-	0.6569	-0.0004	-	-	49	691

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.0321	1.0308	-0.0020	1.0339	1.0288	32,278	66,277
Dec	1.0300	1.0392	-0.0019	1.0411	1.0280	597	4,774
Mar	-	1.0506	+0.0035	-	-	18	706

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.7760	0.7760	-0.0003	0.7785	0.7730	23,409	47,048
Dec	0.7770	0.7780	-	0.7804	0.7768	197	1,112
Mar	-	0.7815	+0.0002	-	-	1	10

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5684	1.5702	+0.0022	1.5730	1.5650	12,054	40,463
Dec	1.5700	1.5718	+0.0046	1.5730	1.5700	93	419
Mar	1.5660	1.5660	+0.0012	1.5720	1.5660	2	148

EMS EUROPEAN CURRENCY UNIT RATES

Jul 13	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14830	-0.00086	-2.20	4.60	-
Belgium	40.2123	39.4709	-0.0044	-1.84	4.22	13
Germany	1.94964	1.91734	+0.001	-1.66	4.02	-
Ireland	0.808628	0.805504	+0.000297	-0.39	2.70	3
France	6.53883	6.57369	-0.00584	0.53	1.76	-4
Denmark	7.43679	7.53342	-0.00115	1.30	0.99	-9
Portugal	192.854	196.973	+0.057	2.14	0.16	-14
Spain	154.250	157.798	+0.133	2.30	0.00	-16
NON ERM MEMBERS						
Greece	264.513	289.520	+0.091	9.45	-6.54	-
Italy	1793.19	1899.65	+0.58	5.94	-3.43	-
UK	0.786749	0.797490	-0.000021	1.37	0.92	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jul	PUTS Aug	PUTS Sep
1.475	9.41	9.38	9.48	-	-	0.18
1.500	6.96	7.03	7.32	-	0.08	0.48
1.525	4.47	4.81	5.36	-	0.34	0.91
1.550	2.08	2.90	3.65	0.01	0.92	1.69
1.575	0.33	1.53	2.33	0.76	1.99	2.80
1.600	-	0.68	1.39	2.85	3.59	4.33

Previous day's vol., Calls 159,710 Puts 154,858. Prev. day's open int., Calls 842,441 Puts 592,926

WORLD INTEREST RATES

MONEY RATES

July 13	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	5	5⅜	5½	5⅝	6¼	7.40	4.50	-
week ago	5	5⅜	5⅞	6 1/16	6¼	7.40	4.50	-
France	5⅜	5⅝	5¾	5⅞	6⅛	5.10	-	6.75
week ago	5⅜	5⅝	5⅝	5⅝	6⅛	5.10	-	6.75
Germany	4.92	4.90	4.90	4.90	5.05	6.00	4.50	4.91
week ago	4.98	4.90	4.95	4.95	5.10	6.00	4.50	5.05
Ireland	5	5⅝	5⅞	6⅛	6½	-	-	6.25
week ago	5⅝	5⅝	5⅞	6⅜	6⅝	-	-	6.25
Italy	8⅛	8⅛	8⅜	8⅝	9⅛	-	7.00	8.00
week ago	8⅛	8⅛	8⅛	8⅝	9⅛	-	7.00	8.00
Netherlands	4.85	4.90	4.92	5.01	5.19	-	5.25	-
week ago	4.97	4.90	4.99	5.06	5.24	-	5.25	-
Switzerland	4	4⅛	4¼	4⅜	4⅝	6.625	3.50	-
week ago	4	4⅛	4⅜	4⅛	4¾	6.625	3.50	-
US	4⅛	4⅜	4⅞	5⅜	5⅞	-	3.50	-
week ago	4⅛	4⅜	4⅞	5¼	5⅞	-	3.50	-
Japan	2	2	2⅛	2⅛	2⅜	-	1.75	-
week ago	2	2	2⅛	2⅛	2⅜	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	4⅝	4⅞	5⅜	5⅞	-	-	-
week ago	-	4⅝	4⅞	5⅜	5⅞	-	-	-
US Dollar CDs	-	4.43	4.69	5.01	5.63	-	-	-
week ago	-	4.43	4.71	5.02	5.60	-	-	-
SDR Linked Ds	-	3½	3⅝	3¾	4	-	-	-
week ago	-	3½	3⅝	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅜; 3 mths: 6; 6 mths: 6⅛; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 13	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5⅛ - 5	6⅛ - 6	5⅜ - 5¼	5 9/16 - 5 7/16	5 15/16 - 5 13/16	6 7/16 - 6 5/16
Danish Krone	6⅜ - 5⅛	5⅞ - 5½	5 13/16 - 5 9/16	6¼ - 6	6⅝ - 6⅜	6 13/16 - 6 9/16
D-Mark	5 1/16 - 4 15/16	4 15/16 - 4 13/16	4⅞ - 4¾	4⅞ - 4¾	4 15/16 - 4 13/16	5 3/16 - 4 15/16
Dutch Guilder	4 15/16 - 4 13/16	4 15/16 - 4 13/16	4 15/16 - 4⅞	4 15/16 - 4⅞	5 1/16 - 4 15/16	6¼ - 5⅛
French Franc	5½ - 5⅜	5½ - 5⅜	5⅝ - 5½	5¾ - 5⅝	5⅞ - 5¾	6⅛ - 6
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.37	94.32	+0.06	94.28	94.21	14,744	56,597
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ THREE MONTH EURODOLLAR (LIFFE) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	173328
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	189502
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	155862
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	94389

■ THREE MONTH EUROLIRA INT. RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	33065
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	44965
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12155
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10005

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	23844
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10032
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9746
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1741

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10850
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8920
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4171
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	916

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	461,338
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	446,827
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	317,520

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS				PUTS			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9550	0.26	0.23	0.26	0.04	0.21	0.50
9575	0.08	0.09	0.12	0.14	0.32	0.66
9600	0.03	0.06	0.09	0.32	0.54	0.84

UK INTEREST RATES

LONDON MONEY RATES

Jul 13	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - 4½	4 13/16 - 4 11/16	5 - 4⅞	5 3/16 - 5 1/16	5½ - 5⅜	6 3/16 - 6 1/16
Sterling CDs	-	-	4 27/32 - 4 25/32	5 1/32 - 5 1/32	5 11/32 - 5 9/32	6 1/16 - 5 15/16
Treasury Bills	-	-	4 23/32 - 4 21/32	4 31/32 - 4 29/32	-	-
Bank Bills	-	-	4 23/32 - 4 21/32	5 - 4 15/16	5 11/32 - 5 9/32	-
Local authority deps.	4 13/16 - 4 11/16	4 13/16 - 4 11/16	4 15/16 - 4 13/16	5 1/16 - 4 15/16	5 7/16 - 5 5/16	5 15/16 - 5 13/16
Discount Market deps	6½ - 4¼	4⅞ - 4 13/16	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1¼pc. Deposits withdrawn for cash ¼pc.
Ave. tender rate of discount 4.9696pc. ECGD fixed rate Stlg. Export Finance. Make up day June 30, 1994. Agreed rate for period Jul 26, 1994 to Aug 23, 1994, Schemes II & III 6.44pc. Reference rate for period Jun 1, 1994 to June 30, 1994, Schemes IV & V 5.1570pc. Finance House Base Rate 5½pc from July 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.44	94.51	+0.09	94.53	94.44	40291	97335
Dec	93.71	93.85	+0.16	93.90	93.71	54774	151992
Mar	93.16	93.31	+0.18	93.37	93.17	14850	67861
Jun	92.66	92.79	+0.15	92.88	92.66	4047	50483

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9450	0.14	0.07	0.07	0.13	0.72	1.26
9475	0.04	0.03	0.04	0.28	0.93	1.48
9500	0.01	0.01	0.02	0.49	1.16	1.71

Est. vol. total, Calls 7686 Puts 5014. Previous day's open int., Calls 222211 Puts 224506

BASE LENDING RATES

[illegible]

● Members of London Investment Banking Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 13 / Sch)

BELGIUM/LUXEMBOURG (Jul 13 / Frs.)

DENMARK (Jul 13 / Kr)

FINLAND (Jul 13 / Mks)

FRANCE (Jul 13 / Frs.)

GERMANY (Jul 13 / Dm.)

ITALY (Jul 13 / Lire)

NETHERLANDS (Jul 13 / Fls.)

NORWAY (Jul 13 / Kroner)

SPAIN (Jul 13 / Pts.)

SWEDEN (Jul 13 / Kronor)

SWITZERLAND (Jul 13 / Frs.)

PACIFIC

JAPAN (Jul 13 / Yen)

AUSTRALIA (Jul 13 / Aus$)

HONG KONG (Jul 13 / H.K.$)

MALAYSIA (Jul 13 / MYR)

SINGAPORE (Jul 13 / S$)

NORTH AMERICA

CANADA

TORONTO (Jul 13 / Can $)
4 pm close

MONTREAL (Jul 13 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Jul 13 / Rand)

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TOKYO - MOST ACTIVE STOCKS: Wednesday, July 13, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi Oil	27.1m	1200		Mitsubishi Hvy	4.8m	800	+11
Japan Energy	15.2m	492	+1	Mitsui	3.9m	842	+9
Terumo Corp	10.8m	1240	+60	Koatsu Gas	3.4m	795	+65
Hitachi	6.6m	1010	–10	Sanyo Elec	3.2m	578	+3
Toshiba	6.0m	780	–9	Kawasaki Steel	3.0m	402	+7

INDICES

	Jul 13	Jul 12	Jul 11	1994 High		1994 Low	
Turkey							
Istanbul Cmp.(Jan 1986)	22012.7	21438.1	21106.3	28883.60	13/1	12980.70	24/3
WORLD							
MS Capital Intl (1/1/70)$	624.4*	623.6	622.3	641.00	1/2	591.60	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1325.84	1317.85	1326.78	1540.19	31/1	1303.48	21/6
Euro Top-100 (26/6/90)	1161.51	1151.27	1161.09	1311.01	2/2	1149.06	21/6
JCapelDrgns (31/12/88)	(u)	297.48	292.98	395.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)	158.66	158.67	157.15	182.72	14/2	141.85	21/4

US INDICES

Dow Jones	Jul 12	Jul 11	Jul 8	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3702.66	3702.99	3709.14	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	96.80	96.85	96.85	105.81 (21/1)	96.43 (13/5)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1582.77	1582.88	1602.52	1862.29 (2/2)	1548.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	179.87	180.86	181.72	227.86 (3/1)	176.71 (24/6)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3725.32 (3795.36) Low 3680.90 (3671.26) (Theoretical♠)
Day's high 3708.55 (3717.88) Low 3672.23 (3680.85) (Actual♠)

Standard and Poors	Jul 12	Jul 11	Jul 8	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	447.95	448.06	449.55	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	522.27	521.84	523.29	580.89 (2/2)	510.05 (21/4)	589.89 (2/2/94)	3.62 (21/6/32)
Financial	44.26	44.43	44.62	46.94 (14/6)	41.39 (4/4)	48.46 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	247.47	247.50	248.11	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	425.50	424.77	425.45	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	709.59	706.83	707.46	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

RATIOS

	Jul 8	Jul 1	Jun 24	Year ago
Dow Jones Ind. Div. Yield	2.74	2.79	2.75	2.93
	Jul 6	Jun 29	Jun 22	Year ago
S & P Ind. Div. yield	2.49	2.49	2.46	2.56
S & P Ind. P/E ratio	22.72	23.10	23.18	24.89

STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	448.70	449.35	+0.60	449.75	448.50	75,582	202,771
Dec	451.25	451.75	+0.45	451.75	451.20	614	11,855
Mar	-	455.20	-	455.20	454.65	265	2,261

Open interest figures are for previous day.

CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett.Price	Change	High	Low	Est. vol.	Open int.
Jul	1960.0	1979.0	+32.0	1980.0	1954.0	16,837	34,768
Aug	1969.5	1987.5	+32.0	1986.0	1965.5	-	303
Sep	1977.5	1985.0	+31.5	1997.0	1973.0	1,764	25,294

Open interest figures for previous day.

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Motorola	8,953,000	50¼	+5¾
SW Airlines	6,377,100	28⅝	+⅞
Ford Motor	3,158,700	31¼	+⅜
Eli Lilly	3,107,300	48⅛	-1⅛
Abbott Labs	3,058,400	26¾	-2¼
IBM	2,989,700	55¾	+⅛
Nat Semi	2,833,200	17⅝	-⅜
Gen Motors	2,486,400	51¼	+¼
Philip Morris	2,356,500	53⅞	-⅛
Wal-Mart	2,313,400	23¾	+⅛

TRADING ACTIVITY

● Volume (million)	Jul 12	Jul 11	Jul 8
New York SE	241.960	217.763	233.617
Amex	13.321	12.380	11.553
NASDAQ	223.234	201.426	235.073
NYSE			
Issues Traded	2,831	2,834	2,824
Rises	1,064	1,015	982
Falls	1,014	1,133	1,177
Unchanged	753	686	665
New Highs	25	28	37
New Lows	87	93	71

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close July 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17⅜	13⅜	AAR	0.48	3.5	462	203	14	13⅞	13⅞	-⅛
16⅞	13	A L Labs A x	0.18	1.3	31	295	13⅝	13⅜	13⅜	
72⅝	57⅝	AMP	1.68	2.3	25	7811	u73	72¼	72⅜	
72¾	52⅛	AMR			31	4028	62⅛	60⅞	61⅞	+⅞
5	3⅛	ARX			12	676	3¾	3⅝	3¾	+⅛
56⅛	36⅝	ASA	2.00	4.5	20	648	45	44⅝	44⅞	-⅛
31⅜	25⅜	AbbtL x	0.76	2.8	16	38391	27¾	27¼	27⅞	+⅝
13¼	11⅜	Abitibi Pr	0.50	4.1	8	69	12⅛	11⅞	12⅛	+¼
23⅝	17¾	ABM Ind	0.52	2.7		26	19½	19¼	19¼	-¼
13¾	11⅛	Acptncein			24	71	u13¾	13⅜	13⅜	
31	22¾	ACE Ltd	0.44	1.9	3	236	23½	23	23½	+¼
12½	10⅛	ACM Gvt In	1.09	10.0		534	11	10⅞	11	
10⅛	7⅞	ACM GvOpp	0.80	9.6		22	8¼	8¼	8¼	-⅛
10⅝	8	ACM Gvt Sp	0.96	12.0		154	8⅛	8	8	
12	9⅛	ACM Gvt Se	1.09	11.7		454	9½	9⅜	9⅜	-⅛
11¾	8¾	ACM Man	1.08	12.0		1113	9¼	9	9	-⅛
9¼	8	ACM Managd	0.72	8.7		29	8⅜	8⅛	8¼	
15½	8¾	AcmeClv	0.44	4.0	13	75	11⅛	10⅞	11⅛	
9¼	8½	Acme Elect			6	75	8½	8¼	8¼	+⅛
28¾	23	Actvtg	0.60	2.2	13	16	27⅛	27⅛	27¼	
9⅜	5¾	Actava	0.36	4.1	2	150	8⅞	8⅝	8⅞	+¼
15⅝	11¼	Acuson			86	110	12⅞	12¾	12¾	
18⅜	16½	Adams Expr	0.48	2.8	0	186	17⅛	17⅛	17⅛	+⅛
84	46½	Ad Micro	3.00	5.4		618	55¼	54¾	55⅛	-⅝
31¾	18¾	AdvMic	3.00	11.4	11	9458	28⅞	28⅛	28⅜	-⅜
6⅞	5	Advest Grp	0.16	3.1	8	22	6⅛	5⅞	6⅛	
20	15	Advo Inc	0.10	0.6	114	58	17¼	16¾	17⅛	+⅛
57⅛	46⅜	Aegon ADR	2.95	5.4	12	10	54½	54⅜	54½	+⅛
65¾	49¾	AetnaL	2.76	5.0	8	2315	55¼	53⅝	55¼	+1¾
34⅞	25¼	Aflac	0.46	1.3	14	1367	34½	34¼	34¼	
20¼	16⅜	Ahmanson	0.88	4.5	14	1527	19½	19⅛	19⅜	+⅛
[illegible]										

- B -

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
7¼	5	BcdPr x	0.36	6.4	9	100	6¾	[illegible]	[illegible]	[illegible]
59⅝	49	BellAtl x	2.76	5.0	16	5027	55½	[illegible]	[illegible]	[illegible]
19¾	14½	Bell In	0.40	2.4	14	194	18½	[illegible]	[illegible]	[illegible]
63½	53	BellSth x	2.76	4.6	29	5881	61⅛	[illegible]	[illegible]	[illegible]
55	43⅛	Belo A	0.60	1.3	20	282	45	[illegible]	[illegible]	[illegible]
25⅛	20½	Bemis	0.54	2.4	25	330	23⅝	[illegible]	[illegible]	[illegible]
69	57¼	Benef 4.3P	4.30	7.3		z100	59	[illegible]	[illegible]	[illegible]
40⅞	34½	Benef	1.52	4.0	12	685	38⅜	[illegible]	[illegible]	[illegible]
36⅞	28⅜	Benetton A	0.47	1.6	17	33	28	[illegible]	[illegible]	[illegible]
1⅛	⅞	Benguet B	0.04	4.3	4	380	[illegible]	[illegible]	[illegible]	[illegible]
18⅞	14⅝	BergBr	0.48	3.1	21	421	15⅝	[illegible]	[illegible]	[illegible]
17250	15100	BerkH			46	z40	17150	[illegible]	[illegible]	[illegible]
10¾	8	Berry Petr	0.40	4.0	166	164	10	[illegible]	[illegible]	[illegible]
37¾	19	Best Buy			15	5231	24⅝	[illegible]	[illegible]	[illegible]
29⅛	26⅛	Beth St 2.	2.50	9.0		137	u28¼	[illegible]	[illegible]	[illegible]
55⅝	51½	Bethlhm Pf	5.00	9.3		83	54	[illegible]	[illegible]	[illegible]
24⅛	16¾	BethSt	0.40	1.9	7	8044	20⅝	[illegible]	[illegible]	[illegible]
53⅝	42¼	Betz L	1.44	3.3	21	820	44	[illegible]	[illegible]	[illegible]
16⅛	12⅛	BevEnt			26	11829	12¼	[illegible]	[illegible]	[illegible]
21¾	12¼	Biocraft	0.10	0.8	19	623	12⅞	[illegible]	[illegible]	[illegible]
32⅝	25	Brdngm S	0.40	1.6	56	4723	27	[illegible]	[illegible]	[illegible]
22⅜	16½	BlDeck	0.40	2.3	17	1650	17⅜	[illegible]	[illegible]	[illegible]
22¾	18	Black H PL	1.32	7.1	11	351	18½	[illegible]	[illegible]	[illegible]
10⅛	8½	BlckrckAdv x	0.73	8.3		144	9	[illegible]	[illegible]	[illegible]
8½	6⅝	Blckrckinc x	0.75	10.6		387	7⅛	[illegible]	[illegible]	[illegible]
10⅛	8⅝	BlckrckTgt x	0.70	7.8		566	9	[illegible]	[illegible]	[illegible]
48¾	37½	Block	1.25	3.3	22	3802	38¾	[illegible]	[illegible]	[illegible]
31⅜	23⅜	Blockb	0.10	0.4	23	8118	28¼	[illegible]	[illegible]	[illegible]
8⅛	6⅝	Blue Chip x	0.12	1.7		140	6⅞	[illegible]	[illegible]	[illegible]
28¾	19½	BMC Ind			16	285	28¼	[illegible]	[illegible]	[illegible]
50⅛	42⅛	Boeing	1.00	2.1	12	5400	47⅜	[illegible]	[illegible]	[illegible]
[illegible]										

- C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S -

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4 pm close July 13

NYSE COMPOSITE PRICES

Continued from previous page

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NASDAQ NATIONAL MARKET

4 pm close July 13

[illegible]

AMEX COMPOSITE PRICES

4 pm close July 13

[illegible]

FINANCIAL TIMES
Thursday July 14 1994

AMERICA

Collection of factors combine to lift Dow

Wall Street

Reassuring news on inflation, a modest rebound in the dollar and news of another bid for the QVC television shopping group lifted US share prices across the board yesterday morning, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was up 8.42 at 3,711.08. The more broadly based Standard & Poor's 500 was also firmer at the halfway mark, up 1.32 at 449.27, while the American Stock Exchange composite was up 2.54 at 428.04 and the Nasdaq composite up 6.68 at 716.27. Trading volume stood at 153m shares by 1 pm.

Share prices firmed from the opening, helped by news that the consumer price index had risen by only 0.3 per cent last month. Although the CPI number was not as positive as the report on the producer prices index, which was flat last month, it was in line with expectations, and reassured investors who had been worried that strong second quarter economic growth might have fed through into higher prices. Also, taken together, the June inflation data was unlikely to prompt the Federal Reserve into raising interest rates again.

Consequently, stocks posted solid gains in early trading, rising by more than 20 points at one stage. Equities received no help from bonds, which ignored the good inflation news. By early afternoon the benchmark 30-year bond was unchanged, still yielding 7.68 per cent.

Nasdaq stocks outperformed other sectors of the market thanks to strong technology stocks, and news of a rival bid for QVC. Last week the home shopping television group announced that it was merging with CBS, the broadcast television network. Late on Tuesday night, however, Comcast, the big telecommunications group which owns 15.4 per cent of QVC, launched a counter bid worth $2.2bn.

The rival offer immediately persuaded CBS to abandon its merger plans, which did not deter investors from buying QVC in the hope that the stock's price would be driven higher by new bids for the company. In early afternoon trading QVC was up $6 at $42 in volume of 4.7m shares. Comcast, which is also traded on the Nasdaq market, was down $1¼ at $15⅝ in volume of 4.4m shares.

On the New York SE, CBS shares were also higher, up $6 at $306, although the rise in the stock had less to do with the news of its failed merger with QVC and more to do with the company's plans, announced yesterday, to buy in 3.5m of its own shares and split the stock five-for-one.

Hilton Hotels rose $⅞ to $62⅞ after reporting second quarter profits of $33.9m, up 26 per cent from a year ago. Among higher Nasdaq technology stocks, Intel was up $⅞ at $61, Cisco Systems $1⅜ at $24⅛, Lotus Development $1⅜ at $41⅝, and Oracle $⅞ higher at $39⅞.

Canada

Toronto stocks were firmer at midday on improved sentiment as inflation data abated fears of higher interest rates.

The TSE 300 composite index was up 4.14 at 4,135.86 in volume of 17.60m shares valued at C$271.95m. Advances led declines by 276 to 245, with 276 unchanged.

The improved performance was credited partly to computer stocks, which recovered from earlier losses. Delrina Corp gained C$1⅜ to C$20¼ and Newbridge Networks was up C$1⅜ to C$58⅝.

Five of Toronto's 14 sub-indices were higher, led by conglomerates, which rose 1.6 per cent as Canadian Pacific gained C$⅜ to C$20⅞. Other strong sectors included forest products and utilities. Precious metals and communications suffered the worst losses.

The gold index was off 1.06 per cent on reduced inflation fears – Echo Bay lost C$¼ to C$15 and American Barrick dropped C$⅜ to C$31.

Active issues included Chieftain International, which dropped C$1⅞ to C$20⅝ after Alberta Energy said that it was selling its 22 per cent stake. Alberta Energy gained C$⅜ to C$22¼.

Mexico

Mexican shares opened weaker as investors noted a rise in domestic interest rates at the weekly Treasury bill auction.

The IPC index of the 37 leading shares was off 9.48 at 2,278.80, in volume of 4.1m shares.

The primary interest rate on the 28-day Treasury bill, or Cetes, rose by 60 basis points to 17.10 per cent.

S Africa ends mixed in slow trade

South African shares ended mixed after struggling for direction in a slow trading session.

The failure of the bullion price to move forward also contributed to the general lack of movement, brokers commented, although firmer London and US markets lent support.

The overall index added 17 to 5,471, the industrial index 12 to 6,266 and the gold index lost 6 to 2,105.

Among the day's main movers Anglos improved R1.40 to R225, De Beers made R1.50 to R107 and Gencor added 15 cents to R12.

Pick n Pay lost further ground as strike action hit its stores, shedding 50 cents to R12.75. Iscor added 10 cents to R3.70, Sasol continued to move ahead adding 75 cents to R25.75 and Absa 15 cents to R9.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: July 8 1994	Dollar terms: % Change over week	Dollar terms: % Change on Dec '93	Local currency terms: July 8 1994	Local currency terms: % Change over week	Local currency terms: % Change on Dec '93
Latin America	(209)	612.18	+4.4	-5.9			
Argentina	(25)	869.53	+4.0	-12.5	533,564.32	+4.0	-12.5
Brazil	(57)	278.37	+11.2	+19.6	1,041,612,029	+11.2	+925.0
Chile	(25)	645.78	-1.5	+17.0	1,088.80	-1.0	+14.2
Colombia[1]	(11)	956.21	+1.4	+48.3	1,389.42	+1.6	+49.9
Mexico	(68)	831.96	+2.2	-17.3	1,220.11	+2.3	-9.6
Peru[2]	(11)	133.70	-3.2	+10.6	179.04	-3.2	+12.6
Venezuela[3]	(12)	508.50	+16.3	-14.1	1,987.23	+0.3	+39.8
Asia	(557)	238.65	-0.1	-18.0			
China[4]	(18)	83.34	-2.7	-44.2	91.08	-2.7	-44.5
South Korea[5]	(156)	128.59	+0.7	+8.8	138.20	+0.8	+8.5
Philippines	(18)	261.84	-4.9	-23.1	335.46	-4.9	-24.5
Taiwan, China[6]	(90)	139.79	+5.5	-3.4	139.49	+4.2	+4.3
India[7]	(76)	131.58	-1.1	+13.0	145.50	-1.1	+13.0
Indonesia[8]	(37)	96.48	-2.0	-22.6	113.69	-1.9	-20.2
Malaysia	(105)	259.73	-0.1	+23.4	248.83	-0.4	-26.2
Pakistan[9]	(15)	396.83	+0.1	+2.3	550.37	-0.1	+4.2
Sri Lanka[10]	(5)	160.66	-0.5	+1.9	193.43	-0.4	+1.3
Thailand	(55)	362.86	+0.8	-24.0	360.48	+0.8	-25.4
Euro/Mid East	(125)	109.57	+4.6	-35.3			
Greece	(25)	220.00	+3.6	-3.4	352.22	+1.7	-8.4
Hungary[11]	(5)	184.55	+2.1	+10.7	224.40	+0.8	+11.1
Jordan	(13)	160.80	-2.1	-2.9	228.57	-1.8	-4.5
Poland[12]	(12)	588.66	+16.2	-28.0	838.02	+16.3	-24.1
Portugal	(25)	112.01	+3.9	-1.6	124.05	+1.9	-10.2
Turkey[13]	(40)	103.37	+4.9	-51.4	1,507.04	+4.8	+3.6
Zimbabwe[14]	(5)	238.66	-3.9	+18.0	284.11	-5.0	+33.0
Composite	(891)	306.59	+2.4	-13.9			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.

Companies from emerging markets have been turning increasingly this year to issuing ADR's in the US, according to Citibank.

India has led the way, with 18 companies having launched ADR programmes so far in 1994, followed by Hong Kong with 10, and Brazil and Mexico with nine. Citibank comments that the total dollar trading volume for the instruments – a certificate issued to facilitate trading in overseas stocks – reached $135bn in the first half, up 60 per cent from first half 1993.

Other emerging market countries which have issued ADRs this year include China, Korea, Ghana, Hungary, Turkey, Chile and Peru. Mr David Boyle, managing director, says that the strong growth seen in ADR trading is "being fuelled not only by investors attracted to the higher potential returns for overseas equities over the long term, but also because there is now greater emphasis on diversifying portfolios internationally."

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	TUESDAY JULY 12 1994: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY JULY 11 1994: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (69)	165.12	1.3	155.67	101.04	130.79	149.50	0.7	3.68	162.97	154.51	100.30	130.48	148.40	189.15	138.28	139.53
Austria (17)	190.32	0.4	179.43	116.46	150.75	150.48	-0.7	1.06	189.59	179.75	116.68	151.79	151.58	195.41	148.80	148.90
Belgium (37)	171.53	0.3	161.72	104.96	135.86	132.81	-0.9	4.16	171.06	162.19	105.28	136.96	134.07	176.67	143.82	147.89
Canada (106)	125.66	1.0	118.47	76.89	99.53	125.78	0.4	2.69	124.41	117.96	76.57	99.61	125.24	145.31	120.54	128.04
Denmark (33)	271.10	1.9	255.59	165.89	214.73	220.94	0.8	1.34	265.94	252.14	163.67	212.92	219.19	275.79	207.58	209.71
Finland (24)	156.67	2.0	147.71	95.87	124.09	165.65	0.8	0.86	153.53	145.57	94.49	122.92	164.38	156.72	95.42	98.08
France (97)	171.84	0.7	162.00	105.15	136.10	141.05	-0.4	3.18	170.63	161.77	105.01	136.61	141.65	185.37	149.60	150.72
Germany (58)	143.35	0.3	135.14	87.72	113.54	113.54	-0.8	1.62	142.90	135.49	87.95	114.41	114.41	147.07	112.69	114.39
Hong Kong (56)	349.89	2.4	329.87	214.10	277.13	347.08	2.3	3.42	341.84	324.11	210.39	273.69	339.16	506.56	271.42	279.92
Ireland (14)	194.94	0.8	183.78	119.29	154.40	176.26	0.2	3.46	193.29	183.27	118.97	154.76	175.97	209.33	155.95	155.95
Italy (61)	85.46	0.5	80.57	52.30	67.69	96.38	-0.9	1.57	85.07	80.66	52.36	68.11	97.30	97.78	57.88	67.66
Japan (469)	169.74	0.1	160.03	103.87	134.45	103.87	-0.5	0.74	169.65	160.85	104.41	135.83	104.41	170.10	124.54	146.39
Malaysia (98)	461.42	0.2	435.02	282.36	365.48	459.69	0.1	1.77	460.44	436.55	283.38	368.66	459.34	621.83	322.80	327.15
Mexico (18)	1936.43	-0.9	1825.62	1184.93	1533.74	7197.83	-0.8	1.86	1953.21	1851.88	1202.11	1563.79	7259.33	2647.08	1516.57	1534.40
Netherland (27)	204.96	-0.1	193.23	125.42	162.34	159.82	-1.2	3.55	205.24	194.59	126.32	164.32	161.77	207.43	184.59	185.99
New Zealand (14)	66.16	0.9	62.37	40.48	52.40	58.07	0.6	4.12	65.55	62.15	40.34	52.48	57.73	77.59	51.62	52.94
Norway (23)	198.27	2.1	186.92	121.33	157.04	179.98	1.1	1.64	194.14	184.07	119.48	155.43	178.10	206.42	156.74	157.79
Singapore (44)	329.89	1.3	311.01	201.87	261.29	229.84	1.1	1.84	325.66	308.76	200.43	260.74	227.06	378.92	244.27	244.73
South Africa (59)	275.34	1.3	259.58	168.48	218.08	279.24	0.6	2.27	271.85	257.74	167.31	217.65	277.48	284.68	175.93	204.64
Spain (42)	143.15	2.5	134.95	87.59	113.38	135.96	1.2	4.26	139.64	132.40	85.96	111.80	134.41	155.79	116.33	121.36
Sweden (36)	212.56	2.0	200.40	130.07	168.36	238.54	0.4	1.69	208.44	197.63	128.29	166.89	235.67	231.35	167.85	167.85
Switzerland (47)	159.82	-1.2	150.68	97.80	126.59	127.47	-2.0	1.90	161.73	153.34	99.54	129.48	130.15	176.56	124.46	127.63
United Kingdom (204)	190.25	-0.1	179.37	116.42	150.69	179.37	-0.6	4.20	190.34	180.47	117.15	152.40	180.47	214.96	170.32	170.32
USA (519)	182.75	0.0	172.29	111.83	144.75	182.75	0.0	2.93	182.76	173.27	112.48	146.32	182.76	196.04	178.95	183.79
EUROPE (720)	168.51	0.3	158.86	103.11	133.47	147.95	-0.7	3.14	168.07	159.35	103.44	134.56	148.95	178.58	142.48	142.48
Nordic (116)	211.18	2.0	199.10	129.23	167.27	200.53	0.6	1.49	207.07	196.32	127.44	165.78	199.36	220.60	160.47	160.47
Pacific Basin (750)	175.53	0.2	165.48	107.41	139.03	112.78	-0.3	1.05	175.10	166.01	107.77	140.19	113.10	175.87	134.79	150.08
Euro-Pacific (1470)	172.44	0.2	162.58	105.52	136.58	127.12	-0.4	1.91	172.01	163.09	105.87	137.72	127.56	172.44	143.68	146.98
North America (625)	178.21	0.0	168.85	109.68	141.94	178.63	0.0	2.92	179.14	169.84	110.25	143.42	178.81	192.73	175.87	180.33
Europe Ex. UK (516)	152.83	0.4	144.09	93.52	121.05	126.96	-0.7	2.52	152.17	144.26	93.65	121.83	129.67	157.47	124.77	124.81
Pacific Ex. Japan (281)	236.05	1.4	222.64	144.44	186.97	211.32	1.2	3.02	232.87	220.80	143.20	186.29	209.03	296.21	184.93	186.80
World Ex. US (1653)	173.12	0.3	163.21	105.94	137.12	130.36	-0.4	1.93	172.65	163.69	106.26	138.23	130.80	173.12	145.58	147.86
World Ex. UK (1968)	173.84	0.2	163.89	106.38	137.69	145.39	-0.2	2.06	173.49	164.49	106.78	138.90	145.72	178.58	156.96	157.84
World Ex. So. Af. (2113)	174.70	0.2	164.70	106.90	138.37	145.72	-0.3	2.28	174.41	165.36	107.34	139.64	146.13	178.56	158.60	159.67
World Ex. Japan (1703)	180.71	0.2	170.37	110.58	143.13	171.04	-0.1	2.98	180.29	170.93	110.96	144.34	171.30	196.20	166.51	167.23
The World Index (2172)	176.51	0.2	165.27	107.27	138.85	146.72	-0.3	2.28	176.00	166.91	107.70	140.11	147.11	178.87	158.79	158.79

EUROPE

Bourses reflect dollar, higher oil prices

The dollar stabilised, but bourses were mixed, *writes Our Markets Staff*. Oils were strong as the commodity price reflected a strike by Nigerial oil unions.

FRANKFURT sold the "Big Three" chemical stocks as the Dax index rose 5.95 to 2,054.00 in turnover down from DM6.4bn to DM5.4bn. BASF, Bayer and Hoechst fell by DM6.70 to DM291, DM5.20 to DM337.80, and DM3 to DM310 respectively, on the weakness of the dollar against the D-Mark this year.

Mr Albert Richards, chemicals analyst at CS First Boston in London, acknowledged that, with chemicals priced in global terms, the present currency relationships meant a less competitive European chemicals industry and a more competitive one in the US.

However, he said, when the dollar settles this will provide a nice buying opportunity. "Past periods of dollar weakness were accompanied by periods of overcapacity in the US, bringing significant pressure to bear on European pricing," he explained. "The US, now, does not have that much spare capacity."

AMSTERDAM notched up a gain although the market stayed volatile ahead of futures and options expiry tomorrow. The AEX index improved 3.10 to 386.31, recapturing most of Tuesday's losses.

Royal Dutch rose Fl 1.50 to Fl 186.80. Océ van der Grinten, up Fl 2.00 at Fl 76.00, attracted an upgrade by James Capel earlier in the week which rated the stock a buy opportunity. Capel said that fourth quarter 1994 and 1995 profits growth should be in the region of 20 per cent, placing the company's shares at a 1995 multiple in line with the market.

PARIS built up a good rise on relatively thin turnover ahead of its holiday today and tomorrow. The CAC-40 index gained 32.51 or 1.6 per cent to 1,974.59.

Oils were strong, helped by firmer crude prices. Elf Aquitaine rose FFr18.10 to FFr395, and Total FFr6.30 to FFr307.30.

ZURICH fell to its low for the year as Roche gave up 5.3 per cent in further response to Tuesday's lower than expected first half sales. The SMI index lost 33.5 or 1.3 per cent to 2,474.5 in higher volume as recently inactive institutional investors turned sellers.

Roche dropped SFr300 to SFr5,400, taking the two day loss to 10 per cent, the market unimpressed by yesterday's statement that first half financial earnings improved. The weakness spilled over into other pharmaceuticals, Ciba registered falling SFr19 to SFr721, while Sandoz, reporting its own first half sales figures today, saw its registered SFr11 lower at SFr650.

MILAN reversed its five-day slide as hopes grew that budget details would finally emerge after last night's cabinet meeting. The Comit index picked up 9.25 to 687.35 as the market was also encouraged by a forecast from the Isco research group that the public sector deficit next year could be smaller than feared.

Industrials were among the better performers with Pirelli rising L114 or 4.5 per cent to L2,643 in response to recent positive analysts' notes. Fiat was L96 higher at L6,585.

Telecommunications, which had been one of the biggest sufferers in the recent retreat, also rose strongly with Stet adding L188 or 3.6 per cent to L5,312 and Sip putting on L122 or 3 per cent to L4,218.

MADRID extended its gains to a fifth day, the general index closing 2.68 higher at 301.40 in turnover of Pta32bn. Endesa was the most active stock as it rose Pta110 to Pta5,800. However, Repsol came back from a high of Pta4,110 to close only Pta5 higher at Pta4,010 after Nymex oil prices turned mixed in New York.

Nordic markets mostly had a good day, helped by the high-tech appeal of Ericsson and Nokia in Sweden and Finland – after strong second quarter results from Motorola in the US on Tuesday – and by higher oil prices in Norway.

STOCKHOLM rose for the fifth consecutive session, Ericsson climbing SKr16, or more than four per cent to SKr399, as the Affärsvärlden General index closed 13.90 higher at 1,397.70. HELSINKI saw Nokia up another FM17 to Fm493 following continued gains for its American depositary shares in New York.

OSLO's all-share index climbed by 9.33 to 617.31 with Norsk Hydro NKr6 higher at NKr228.50 on oil prices, high aluminium prices and a decision to lift magnesium production at Hydro's plant in Canada.

WARSAW was encouraged by Tuesday's advance through the 10,000 level, and the Wig index put on another 804.7, or 7.8 per cent to 11,062.9. Turnover rose by 35 per cent to 1,400bn zlotys.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Jul 13 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1324.24	1326.02	1328.82	1328.76	1328.25	1327.57	1325.24	1325.94
FT-SE Eurotrack 200	1360.74	1361.94	1363.56	1363.34	1363.29	1362.64	1360.78	1362.13

	Jul 12	Jul 11	Jul 8	Jul 7	Jul 6
FT-SE Eurotrack 100	1317.85	1328.78	1316.00	1330.32	1312.04
FT-SE Eurotrack 200	1350.44	1365.90	1354.04	1358.40	1349.66

Base 1000 (26/10/90). High/day: 100 - 1331.08; 200 - 1366.01 Low/day: 100 - 1323.37 200 - 1357.63

Written and edited by William Cochrane, John Pitt and Michael Morgan

ASIA PACIFIC

Nikkei makes its first gain in six sessions

Tokyo

Hopes of an interest rate rise in the US at the end of this week encouraged some brokers, and the Nikkei average gained ground for the first time in six trading days, *writes Emiko Terazono in Tokyo.*

The 225 index gained 139.93 to 20,540.41 after a low of 20,368.77 and a peak of 20,558.81. Consumer spending-linked shares were popular, reflecting the recent rise in consumption due to income tax cuts and the hot summer weather, but large capital stocks were hit by profit taking.

Volume totalled 320m shares against 303m. Buying orders placed at low levels by life insurers and brokers supported investor confidence but some foreign securities houses took profits. Individuals were also reported to be picking up some speculative favourites.

The Topix index of all first section stocks rose 7.38 to 1,654.53 while the Nikkei 300 gained 1.34 to 300.81. Advances led declines by 606 to 358 with 228 unchanged and, in London, the ISE/Nikkei 50 index unchanged at 1,340.01.

Traders said that the rebound of the dollar from record lows against the yen supported sentiment. Speculation that the US Federal Reserave Board may act to prevent a further plunge also encouraged some investors.

Stocks linked to Vietnamese oil development were actively traded on Mitsubishi Oil's discovery of its second oil well off the coast of Vietnam, earlier this week. Mitsubishi Oil was the most actively traded issue of the day, but closed unchanged at Y1,200 on profit-taking in the afternoon session.

Japan Energy, which is also drilling for oil in Vietnam, rose Y1 to Y492 and trading houses involved in similar ventures advanced.

Koatsu Gas Kogyo, a leading industrial gas producer, was actively bought on rumours that the company has received a patent for a process in the manufacture of a special carbon. The stock gained Y65 to Y795 in spite of later denials by the company.

High-technology stocks were lower on the yen's recent rise. Hitachi fell Y10 to Y1,010 and Toshiba lost Y9 to Y780.

In Osaka, the OSE average rose 44.68 to 22,955.83 in volume of 29.4m shares. Retail-linked shares gained ground, with the mens' suits retailer, Aoki International, rising Y230 to Y2,850 and Aoyama Shoji gaining Y190 to Y4,180.

Roundup

The strong performance seen in Hong Kong provided a fillip elsewhere in the region.

HONG KONG rose another 2.8 per cent, taking the Hang Seng index above 8,800 at the close in a continued sharp technical rebound as bargain hunters swept back into the market.

The index rose 237.46 to 8,828.91 in turnover that swelled to HK$3.9bn from Tuesday's final tally of HK$2.6bn. In subsequent London trading, the indicative index put on a further 67 to 8,896.

Mr Nicholas Knight at Nomura commented that taken in isolation, the market's two day rise of 5.2 per cent looked impressive.

However, he cautioned that in the wider context of the negative impact on valuations of rising interest rates, it looked somewhat of a swan-song. "The slow slide in the market now looks destined to accelerate with third quarter 1993 levels looking the most obvious downside target".

Previously hard-hit property stocks led the rally for a second day. Cheung Kong rose HK$1.90 to HK$34.10, Henderson Land added HK$2.70 to HK$37 and New World jumped HK$1.30 to HK$22.50.

SINGAPORE closed higher on demand from foreign funds for blue chips, and the Straits Times Industrials index rose 24.58 to 2,183.93. Commercial property stocks led the return of institutional buying in the wake of a pick up in commercial property rentals.

KUALA LUMPUR was again encouraged by hopes of an early general election and the composite index put on 3.95 to 989.57. SYDNEY displayed renewed confidence although brokers warned that the positive sentiment was fragile ahead of the release of yesterday's US inflation data.

The All Ordinaries index closed 5.7 points stronger at 1,978.6, after a day's high off 1,985.1.

WELLINGTON saw demand for forest sector stocks and the NZSE-40 capital index gained 15.73 to 1,970.52.

MANILA was weighed down by the continuing slide in PLDT although some second-line issues firmed.

The composite index fell to 22.56 to 2,510.76, prompted mainly by PLDT's $1¼ drop to $52⅝ in New York. The stock's local price fell 25 pesos to the year's low of 1,400 pesos.

SEOUL was flat after renewed interest in financials and some smaller capitalised shares was eroded by profit-taking. The composite stock index added 1.38 points to 961.97.

BOMBAY ended slightly higher as volumes fell sharply due to thin attendance on the trading floor after many employees were late arriving for work after monsoon rains threw suburban train services out of gear. The BSE 30 share index rose 2.45 to 4,131.52.